

NEWS: EUROPE

A softer style of ethnic cleansing

Meriel Beattie of Reuters explains how Moslems and Croats are being pressed into leaving a Serb town

ESAD, a 32-year-old surgeon, had just finished a 36-hour shift treating war wounded at the hospital in Banja Luka, Bosnia, when he was told he was being sacked for not working hard enough.

The real reason, Esad says, is that he is a Moslem in a town controlled by Serbs.

Six weeks ago his girlfriend returned to their apartment and found uniformed gunmen had claimed it for their own. "She opened the door and found three men with guns pointed at her," says Esad, who is afraid to give his real name. "We were told we had to leave the apartment. We went back three days later to get some things, but my money, my savings, had all gone."

In this elegant, tree-lined town with few outward scars of the fighting which pits Serbs against Moslems and Croats and has devastated many villages nearby, they do not resort to violence to rearrange the populace.

Instead Moslems and Croats from Banja Luka and surrounding communities say they are being subjected to psychological and economic intimidation to make them pack up and leave.

"People are being dismissed. Croat and Moslem children have been told they cannot go back to school when term starts," said one Catholic charity worker. "It is economic and psychological pressure."

International aid workers say sackings and evictions began two months ago. "You

can feel the consequences more and more as people reach the end of their financial and emotional reserves," one aid worker said. "Hundreds and hundreds of families are waiting to leave."

Moslems in Banja Luka say 210 Moslem businesses have been closed down since April. Busloads of Moslems and Croats have already left town for neighbouring Croatia and other parts of Bosnia.

Serb authorities have set up an office to offer swaps of homes in Serb-controlled Bosnia for homes in a Moslem region or Croatia. Demand is great.

"Exchange: Banja Luka for Istria, Zagreb or Sarajevo," reads one of around 100 advertisements on the wall. "Two houses with business base available."

Banja Luka's mayor, Mr Predrag Radic, denies systematic pressure is being applied to non-Serbs to give up and go.

"We obviously don't want to keep people in leading positions who had access to information which could be turned over to the other side," he said. "By this we mean the communications network, police officials. But there are still Moslem and Croat policemen."

"A lot of firms here are working at only 10 to 15 per cent capacity and their staff are put on a waiting list. They are not fired."

Mr Radic, who has been mayor of Banja Luka for two

years, says he is anxious that the city retain its ethnic minorities. But he says he cannot speak for neighbouring communities.

In the village of Celinac, 15km along the river, people seem tense despite the languid summer weather.

The village is intact - except for a roadside mosque, collapsed in a pile of rubble and wire, its topped minaret sticking out like a cigarette in an ashtray.

A three-page document stamped with the apparent seal of Celinac's municipal authorities lists the names of 33 Moslems and one Croat in the village.

The document states that those listed "acted negatively and in various ways have drawn attention to themselves so as to provoke consequences for the Serbian people."

As a result, it says, they are forbidden to leave their homes unless summoned to work. They are not allowed to stop on the street, in restaurants or other public places and are forbidden to swim or fish. They can make phone calls only from the post office and must not drive a car.

"They are allowed to leave on condition that they do so in an organised manner and that the whole family leaves with them," the document says. Asked about the document, the duty officer at Celinac police station said: "Things are calmer now. There may have been such an order."



A Bosnian mother looks after babies among evacuees being flown from Sarajevo to Zerbst in Germany

UN seeks access to 'Serbian death camps'

THE UNITED NATIONS Security Council was due to hold closed-door consultations late last night, at the request of the US, on reports of concentration camps in Bosnia-Herzegovina, Reuter reports from the UN in New York.

On Monday, the US State Department had appeared to confirm media reports of detention centres in which civilians had been tortured and murdered. But the US government said yesterday it could not confirm reports that Serbian forces were operating death camps in the former Yugoslav republic.

A Security Council source said it was likely the council would decide to issue a statement calling for the alleged camps to be opened to international inspection.

The talks came as the UN announced that emergency relief operations at Sarajevo airport were being suspended for 72 hours as the Bosnian capital came under renewed heavy shelling from Serb irregular forces besieging the city.

The shelling brought a halt to humanitarian flights into Sarajevo three times during the day.

Mr Boutros Boutros Ghali, the UN secretary-general, condemned the shelling of the airport.

During the 72 hours' suspension, the French deputy commander of the UN protection force in Yugoslavia, Major-General Philippe Morillon, will go to Sarajevo to assess the situation.

French shy away from Maastricht

By Alice Rawsthorn in Paris

FRENCH support for European union is slipping as next month's referendum on the Maastricht treaty approaches. A poll in *Liberation* newspaper shows 43 per cent plan to vote "No", compared with 38 per cent a month ago.

The referendum on September 20 is seen as critical for the success of the treaty. It is also important for the embattled President François Mitterrand and the Socialist government, which have presented European union as a key political issue.

European union is still popular among the young, with 70 per cent of 18-to-24 year olds planning to vote "Yes".

Robert Taylor, adman from Stockholm leading the EC will cost Sweden only SKr3.4bn (€330m) net a year, according to a Commission report yesterday. Sweden's contribution would amount to 3.2 per cent of the EC's annual spending.

Although Sweden will have to pay an estimated SKr10.8bn a year into the EC budget, it can expect to receive SKr7.4bn in return in financial support, particularly for its vulnerable agricultural industry. Between SKr4.4bn and SKr5.3bn will be earmarked for supporting cereals, milk and dairy products, lamb and mutton.

The report says Sweden would have to abandon its state alcohol monopoly because it conflicts with EC competition laws.

Cross-party support for decree strengthening hand of authorities

Italy to pass tough Mafia law

By Haig Simonian in Milan

ITALY'S new government was last night expected to receive approval in the lower house of parliament for a tough new anti-Mafia decree.

Put forward after the recent murders of Mr Giovanni Falcone and Mr Paolo Borsellino, two prominent judges in Sicily leading the fight against the Mafia, the new ruling will strengthen the hand of police and magistrates tackling criminal organisations.

The government, led by Mr Giuliano Amato, has been faced with a public outcry since the two assassinations. Its immediate reactions after last month's murder of Mr Borsellino included sending 7,000 troops to Sicily to help local police and carabinieri.

The government decided not to turn the vote on the new decree - which has already been approved in the Senate.

the upper house - into an issue of confidence, following signs of broad cross-party support.

Both the small Republican and neo-fascist MSI parties have promised backing, while the Democratic Party of the Left (PDS), the former communists, were also considering backing the move yesterday.

The decision not to force a confidence vote has opened the way for parliamentary amendments to the decree, and PDS approval was planned to approval for two changes to the legislation.

The decree will also lay to rest the High Commission for the Fight against the Mafia, which was set up in the early 1980s but which has proved ineffective in tackling organised crime.

The organisation would have become partly redundant next year, when Italy's new anti-Mafia DIA, modelled on

America's FBI, comes into operation.

Eliminating the commission has been welcomed as a way of avoiding further duplication and bureaucracy in the fight against crime, amid criticisms that Italy's police and security forces would be more effective if better co-ordinated.

Italy's financial markets rebounded for the second day running yesterday after Monday night's surprise cut in interest rates by the Bank of Italy and last week's agreement on ending the *scala mobile* wage indexation system.

The half-point reduction in the official discount rate to 13.25 per cent and in the rate for fixed-term advances to commercial banks to 14.75 per cent contributed to a slight decline in the lira. The Italian currency was fixed at 755.93 against the D-Mark, compared

with 754.95 on Monday.

Shares on the Milan stock exchange rose for the second consecutive day, with prices rising by over 2 per cent and the Comit equity index closing up 7.71 points at 424.35. However, brokers again warned that the rise came against a background of very thin trading and with dealings once more affected by the breakdown of the screen-based trading system.

Italy's commercial banks responded quickly to Monday night's rate cut, with leading banks cutting their prime interest rate to top-quality borrowers by half a percentage point to 15.25 per cent. However, interest rates to less creditworthy borrowers remain well above 30 per cent. In spite of a half percentage-point reduction yesterday, many banks are charging customers up to 22.25 per cent for their loans.

Russian reforms 'near to collapse'

By John Lloyd in Moscow

MR Arkady Volvsky, the powerful head of the Russian Union of Industrialists and Entrepreneurs, said yesterday that reform in Russia was "on the edge of collapse", and called for immediate policy changes.

His call was backed by leaders of the Civic Union, the political bloc which Mr Volvsky helped form. They said that if the government did not adopt an alternative reform programme to be presented in mid-September, President Boris Yeltsin should ask for its resignation.

Mr Joseph Diskin, a member of the Civic Union's consultative council and author of the alternative programme, said there were no longer any "good options" left for the economy, and only the enforcement of order could prevent catastrophe. Income tax should rise, fuel prices should be fixed, and the government must ensure that the increasingly separatist regions of Russia pay federal taxes - by force if necessary.

Mr Volvsky is widely viewed as a prime minister-in-waiting, or at least as a figure who can dictate policies to the government. His new attack on the government comes at a time when it has substantially relaxed its grip over credits to enterprises.

It is also signalling that it may not be able to meet the targets of 9 per cent inflation and a budget deficit at 5 per cent of GNP by the end of the

year, agreed with the International Monetary Fund.

International experts in Moscow see these targets as unrealistic and predict that a complete reappraisal of the Russian reform strategy - and with it, the terms of western assistance - will be forced on Russia and its big western donors.

At the same time, a struggle has broken out between the government and Mr Victor Gerashchenko, acting chairman of the Central Bank, over Mr Gerashchenko's intention to provide Rbl1,000bn in credits to enterprises to help them pay off Rbl3,000bn of debts which they have contracted over the past few months.

Mr Andrei Nechayev, the economics minister, said yesterday he believed the bank would soon cancel the order it sent out to commercial banks authorising the provision of credit. He was immediately contradicted by Mr Gerashchenko, who said in an interview with *Izvestia* that he had no such intention, though he might "take the government's views into account".

Mr Gerashchenko said the exercise would have no inflationary effect, as it was designed to let the enterprises "net out" the debts between them. However, experts fear the provision of credit to pay off the debts could leak out of the financial system in the form of higher wages and thus higher inflation.

Heading for a showdown, Page 10

EC clash over power supplier averted

By Andrew Hill in Brussels

STATE-OWNED electricity companies in France and Italy have decided to compromise over the terms of a contract with a small Alpine producer rather than confront the European Commission on the sensitive issue of monopoly rights in the electricity sector.

The Commission said yesterday it had dropped the threat of further action against Electricité de France and Enel of Italy after they amended the anti-competitive contract.

Sir Leon Brittan, EC competition commissioner, welcomed the compromise as "a step towards the opening up of national energy markets", but EDF said it was a specific case with few broad implications. EDF is in the forefront of resistance to Commission plans to break open EC energy markets.

Société Hydroélectrique de Grangevalle (SHG) - an independent French electricity producer near the Italian border - complained to Brussels in April last year that EDF was abusing its monopoly rights.

EDF was entitled to buy all SHG's output at comparatively low French prices, and sell it on to Enel. But SHG is cut off from the French market by a mountain range and can only supply electricity to Italy, where prices are much higher.

The Commission argued that EDF's monopoly rights to buy French electricity production did not apply in this case. The French group has now agreed that SHG's electricity should be priced on the same basis as electricity generated by independent Italian producers.

At last, a currency that is weaker than the rouble

Ukraine's 'coupon' has given Russian money something of a 'hard currency' status in Kiev, writes Anthony Robinson

GRESHAM'S Law - that bad money drives out good - is alive and well in Ukraine, with a variation. In the second-largest of the former Soviet republics of 52m people, what most would consider "bad money", a depreciating, inconvertible Russian rouble, is sought after in preference to something even worse - the Ukrainian "coupon".

When introduced last year, the coupon was a single-use token issued to Ukrainian workers as part of their wages to "validate" their purchases of foodstuffs.

Now Ukrainian workers have no choice. They are paid exclusively in coupons. Even withdrawals from their nominally rouble-denominated savings accounts are paid out in coupons.

In theory the coupon is on a par with the rouble. In practice months of easy credit policy by a government under pressure from enterprises to issue cheap, unsecured credits has devalued the Ukrainian quasi-currency faster than the rouble. This has left the coupon discredited and unwanted.

The result is a thriving black market. Kreschatik, the tree-lined main



thoroughfare of the capital, Kiev, is thronged with illegal but tolerated money-changers. They also congregate outside the city's largest food market, the pre-revolutionary, constructivist-style Bessarabia market, opposite the city's last remaining statue of Lenin.

Alongside young hustlers in the latest teenage fashions stand portly housewives and ageing "babushkas" with headscarves and shopping bags

mutely holding wads of coupons in their outstretched hands.

While the young hustlers are most interested in changing coupons for dollars or other hard currencies the "babushkas" have been allowed to share in the cheap end of the market, the - coupons-for-roubles trade.

Last week, as Russia's rouble-dollar rate declined in response to doubts over Moscow's ability to restrain a growing budget deficit, the Ukrainian coupon fell even more sharply. Traders outside the Bessarabia market offered 230 coupons for a dollar while the going market rate for roubles was only 155. Given this 30 per cent discount, shop girls, hotels, enterprises and anyone else with access to roubles, substitute

coupons from their own pockets and sell the roubles at a profit.

In this way a quasi-money designed to prevent Russian and other rouble holders from buying scarce goods in Ukraine has had the opposite effect. By changing their "hard" roubles for coupons, Russians can effectively buy more cheaply than in Russia.

The coupon is essentially the product of old communist thinking about money. Neither the rouble, or any other former communist currency was real money as understood in the west.

"I am totally opposed to the coupon idea and so are all my senior colleagues," said Mr Alexander Sharov, the young vice chairman in charge of external policy at the Ukrainian National Bank, the central bank. "But we only took over in April and nobody in the former state is willing to admit it was his idea. The coupon is an orphan."

The Ukrainian government is still committed to introducing its own national currency, the *hryvnia*, as a fully-fledged legal tender. But the date is unclear as experience with the coupon underlines the dangers of introducing a new currency with-

out creating the sort of monetary, fiscal and institutional framework needed to ensure its value and acceptability.

But the shortcomings of the coupon reflect the impotence of the central bank and other institutions such as the finance ministry and the privatisation ministry which have minimal political or institutional weight in post-independence Ukraine. Real power is still concentrated in a handful of former communist apparatchiks and party bosses around President Leonid Kravchuk and Mr Vitalik Fokin the prime minister.

After three centuries of subservience to Moscow, Ukraine is hard pressed to find the qualified and experienced personnel needed to administer a modern state.

Parliament, for example, is also still dominated by former communists who see no apparent contradiction between voting for liberal foreign investment, privatisation and other market-orientated legislation and then voting large cash infusions to bankrupt state enterprises still run by their former communist managers.

Similarly, the country's exiguous hard currency reserves are held by

the recently formed Export-Import bank, which is essentially the successor to the Ukrainian branch of the Soviet Vneshekonombank. Critics of the bank, which maintains close working relations with Vneshekonombank in Moscow, say this arrangement ensures that control over hard currency usage remains with power brokers around the president and the prime minister.

The handful of relatively inexperienced technocrats in the central bank and the ministry of finance appear to bear considerable responsibility but wield little power. They are acutely nervous about Russia's expected response to the eventual introduction of the *hryvnia* and the likely inflationary consequences of Russia's expected decision to charge world prices for oil and other exports to Ukraine in the autumn.

The money changers on the Kreschatik may not be fully aware of the problems that lie ahead. But in the mysterious way of free markets, the downward course of the coupon on Kiev's streets is probably an accurate barometer of difficult economic times ahead as Ukraine seeks to break out of its former colonial-style dependence on Moscow.

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UN seeks access to 'Serbian death camps'

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EC clash over power supplier averted

By Andrew Hall in Brussels

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ANC claims resounding strike victory

By Michael Holmes in Johannesburg and agencies

THE African National Congress yesterday claimed a "resounding victory" against a two-day general strike by millions of blacks, but the South African government said the protest had fuelled violence.

Mr. Hennis Kriel, law and order minister, yesterday told state television that the ANC had "added to the violence, [which] is now rife in spite of assurances by the ANC that the protests would be peaceful."

Even so, United Nations monitors, who appealed for restraint during the mass occupations of cities planned for today, said that it was difficult to determine whether any of the 34 killings since the start of the strike were linked to the pro-democracy protest.

Meanwhile, Mr. Herman Cohen, US assistant secretary of state for Africa, called for a quick resumption of multi-party talks on democracy. At the end of a two-day visit - during which he met Mr. Nelson Mandela, the ANC leader, and President F.W. de Klerk - Mr. Cohen said he was alarmed by South Africa's

retary-general had complained about not being properly consulted on an EC request for UN monitoring of heavy weapons in Bosnia.

Mr. Boutros Ghali said the UN did not have the resources to carry out such a task and accused the international community of showing more concern about "the rich man's war" in former Yugoslavia, than the Somalia conflict.

Though the secretary-general appears to feel that Britain and its permanent UN ambassador, Sir David Hannay, are primarily responsible for critical articles about him in the British press, adverse comment has not been confined to the UK.

Members of several UN delegations have been taken aback by what some consider to be the secretary-general's aloof style and his preference for going over their heads to deal with members of governments directly. Nor is his penchant for calling a spade a spade appreciated by practitioners of a profession dedicated to a more circumlocutory mode of expression.

Behind the whole affair lies a conflict of priorities in the UN. Developing countries consider Mr. Boutros Ghali should be devoting more resources to the Third World instead of Yugoslavia.

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worsening economic situation. ANC officials described the strike as the most effective industrial protest the country had experienced. There was no sign of a fall-off in support for the strike, which ended last night, though employers' organisations yesterday contested ANC claims that workers had stayed away, out of a total labour force of 10m. They estimated 2m had responded to the strike call.

Greatest support came in the Johannesburg region, where more than 90 per cent of workers stayed away, compared with about 55 per cent in Natal.

Mr. Jay Naidoo, of the Congress of South African Trade Unions (Cosatu), said the business community was "now starting to recognise that we are not going to have industrial peace in this country" until there is a democratic transition to majority rule.

Some of the worst violence of the past 24 hours took place in Johannesburg's Alexandra township, where five people were killed by unknown attackers early yesterday morning.

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Japanese consumers' pessimism grows as manufacturers continue to cut capital spending

Drop in job offers erodes confidence

By Robert Thomson in Tokyo

JAPANESE consumer confidence has been undermined by concerns about the slowing economy and, in particular, a fall in new jobs, the Economic Planning Agency (EPA) said yesterday.

The agency's consumer confidence index in the April-to-June quarter was down 0.4 to 43.3. That movement reinforced the recent judgment of the Bank of Japan and the Ministry of Finance that consumers are unlikely to lead an economic recovery in coming months.

Mr. Teitoku Hata, the finance minister, said a sharp fall in new job offers in recent months had increased pessimism. However, he said fears of a bad debt crisis facing Japanese financial institutions were unfounded. Financial institutions had co-operated in the past to overcome difficulties and "such co-operation will continue", he declared, adding that reserves would cushion institutions against the

increase in non-performing loans. The EPA also released a separate survey suggesting that manufacturing companies would continue to reduce capital spending by an average 2.3 per cent over the second half of this year, compared to the first half.

However, capital spending by non-manufacturing companies was expected to rise by 6.5 per cent, with wholesalers, retailers and restaurants forecasting a 28 per cent rise.

About 36 per cent of companies said the economy would continue to slow during the second half, while only 3 per cent thought it would recover. The agency said 46 per cent of companies reported that the economic conditions had deteriorated during the first half, while 1 per cent said there was an improvement.

The agency said the largest falls would be in precision machinery, down 14.8 per cent, electrical machinery, down 28.5 per cent, and non-ferrous metals, down 37 per cent.

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The police report is in part ammunition for the force in justifying budget proposals for the coming year to a government which is having its tax receipts squeezed

by the current economic slowdown. None the less, it helps illuminate the margins of Japan's low-crime society.

Although 17.4 per cent of those convicted last year were in financial difficulties, this figure showed no increase as a result of the slowing of the economy - the proportion was 18.7 per cent a year before and 22.4 per cent a decade earlier. Yakuza held back from clashes with rival gangs, instead setting up companies and political-front organisations, and engaging in charitable works to "improve their image".

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Hurd placates Boutros Ghali

By Robert Maunthner, Diplomatic Editor

THE British government yesterday publicly expressed its support of Mr. Boutros Boutros Ghali, the United Nations secretary-general, who has been the subject of critical articles in the press, particularly in the UK.

Mr. Boutros Ghali, a former senior

NEWS: AMERICA

Broad US index falls to lowest since 1990

By Michael Prowse
in Washington

THE US OFFICIAL index of coincident indicators - a broad measure of the economy's current health - fell sharply in June to reach its lowest level since the US recession began in July 1990, the Commerce Department reported yesterday.

The index - based on movements in non-farm employment, industrial production, personal incomes, and in manufacturing and trade sales - fell 0.6 per cent, taking it below the previous trough that was reached last January.

The department also reported the first fall in six

months of the index of leading indicators, which is designed to predict turning-points in the economy. The leading index fell 0.2 per cent, after increases of 0.3 per cent and 0.6 per cent in April and May.

The sharp drop in the coincident index highlights the economy's loss of momentum at the end of the second quarter. "It shows the recession has not ended yet," said Mr Robert Brusca, chief economist at Nikko Securities in New York.

Most economists believe the economy is still growing slowly, but a spate of poor statistics, including a sharp drop in consumer confidence in July and slower than expected growth in the second quarter,

have raised fresh doubts about the durability of the recovery.

The index of leading indicators was pulled down by declines in six of its 11 components. The weakest components were real money supply, the average working week and unemployment insurance claims. Falls in share prices, building permits and consumer confidence, however, also signalled economic contraction.

Four of the 11 rose, the largest positive contribution coming from higher orders for plant and equipment.

Forecasters are now eagerly awaiting the release on Friday of employment figures for July. Most expect a modest rebound, after sharp falls in June.

Brazilian minister quits amid scandal

By Christina Lamb
in Brasilia

PRESIDENT Fernando Collor of Brazil, battling to stay in power amid a worsening corruption scandal, has been dealt a heavy blow by the resignation of one of his most senior ministers.

Mr José Goldemberg, education minister, is the first cabinet member to quit since the political crisis erupted in May with a series of corruption allegations against the president. The minister resigned on Monday night, provoking much speculation that other ministers might follow suit.

Citing "political and personal reasons" for quitting, Mr Goldemberg accused the government of greater concern for its own survival than for the Brazilian people, and of lack of commitment to education.

Mr Goldemberg, 63, was the only remaining civilian member of the original Collor cabinet of three years ago.

Yesterday, Mr Jorge Bornhausen, minister in the president's office, sought to dismiss fears that other ministers would follow Mr Goldemberg.

Mr Collor has also managed to hold on to his economic team by agreeing to maintain his austerity policy. The team had threatened to resign if the economic adjustment programme was compromised by Treasury disbursements.

Mr Marcello Marques Moreira, economy minister, said he had agreed merely to re-allocate some government resources to social programmes, such as housing.

Senate backs supercollider

THE US SENATE has blocked a denial of nearly all funding for the supercollider, a giant atom smashers being built in Texas. Reuter reports from Washington.

It voted 62-32 late on Monday against joining the House of Representatives in cutting \$516m of the \$550m allocated for the project.



NEW NEST: The crowd-pulling and growth-promoting stadium in downtown Baltimore that now houses the Orioles baseball team

Take 'em out to the ball game

Patrick Harverson reports on Baltimore's baseball strike for growth

LIKE MANY cities across the US, Baltimore is impatiently waiting for the nationwide recovery to breathe new life into a local economy still hung over from the recession of 1989-1991.

Yet unlike any other city in the US, Baltimore is looking to an unusual source to help it out of the economic doldrums - a baseball stadium.

Oriole Park at Camden Yards, the new home for the Baltimore Orioles, was completed earlier this year at a cost of \$105m (\$50m), and city planners hope the stadium will serve as an economic catalyst for the entire downtown area.

It is already proving a magnet for local developers. Some hope it will become the focal point of a billion-dollar urban redevelopment programme.

When Oriole Park was opened in April, Maryland governor William Schaefer announced that construction of the stadium had fuelled the local economy with \$140m in gross sales and \$40m in direct payroll. He also forecast, quoting from a study by state economists, that the net impact of the baseball season would inject another \$274m in sales and income and \$14m in taxes into the economy.

Today, those projections are beginning to look on the low side. Before the season started, it was hoped that attendance

at Oriole Park this year would be 20 per cent higher than at the old Memorial stadium.

People, however, have flocked to the new ballpark in huge numbers. Attendance is averaging near capacity at 43,000 a game, compared with the 28,000 the old stadium drew last year. Total attendance for the season is expected to top 3.5m, not 2.5m as first forecast.

It has helped that the team has been successful. Last season the Orioles finished near the basement of the baseball leagues. So far this year, it has the second-best record in its division and is attracting fans from Baltimore and nearby Washington DC.

The stadium itself is also popular. Two golden rules of sports stadium development were broken with Oriole Park. First, it is a baseball-only stadium, and not the usual multi-use monstrosity built to host a range of sports and entertainment to maximise revenues.

In sticking to baseball, the architects designed an intimate, old-fashioned ballpark with traditional features such as red brick arch facades and a sunken, asymmetrical field.

One critic hailed the result an "antidote to the national pastime", and Oriole Park has quickly become a tourist attraction in its own right.

The second gamble was to locate the stadium within minutes of the city's downtown area. Since the 1960s most sports stadiums built in the US have been put in the suburbs or on vacant space outside metropolitan areas, where construction is cheaper, access easier, and disruption to local neighbourhoods avoided.

Baltimore, however, has put the stadium virtually in the heart of the city, on the site of the old railway yards just a few blocks west of the inner harbour area. The idea was to make Oriole Park part of the downtown "experience". Since its re-development in the early 1980s, the harbour has become the heart of Baltimore. Shops, restaurants, hotels, a conference centre and tourist attractions draw millions of Baltimore natives and visitors to the harbour area every year.

At the start of the season, city managers hoped that when people came to see the Orioles, many would stay downtown to enjoy the harbour's shops and restaurants.

Those hopes are being realised. On game days crowds in the area are larger than normal. A study is about to be launched that is expected to show a significant boost to retail and restaurant sales since the stadium opened.

Several projects for the area immediately surrounding the

stadium are already in the pipeline, including a \$600m life sciences trade and medical conference centre, a \$130m expansion of the current convention centre and a \$500m extension to the nearby University of Maryland. If Oriole Park had not been built on its present site, it is unlikely these projects would have been slated for the central city area.

For all its successes, Oriole Park cannot bring Baltimore out of recession on its own. Future prosperity lies in the hands of the two main employment providers, white-collar services businesses and the construction industry, both of which remain depressed and dependent on the national economy for growth.

Redeveloping the downtown area and building a baseball stadium has also not addressed the problems of crime and poverty that plague Baltimore, as they do other US cities. While parts of downtown are popular during the day and night, Baltimore's politicians have been accused of neglecting important social problems in favour of sprucing up a small section of the city.

The city's managers argue that a thriving downtown area benefits everyone in the region by attracting new businesses, and with them new jobs, to Baltimore.

White House vetoes plan for rationing health care

By Michael Prowse

THE BUSH administration has vetoed this week a plan by the state of Oregon to expand access to health care by rationing the provision of services, highlighting the legal and political obstacles facing US social reformers.

The decision also casts doubt on the administration's commitment to social experimentation by individual states. The White House has frequently argued that states should serve as "laboratories", pioneering policies that might become adopted nationally.

Dr Louis Sullivan, federal health secretary, rejected Oregon's plan on the grounds that it might have violated the Americans with Disabilities Act of 1990, which President George Bush had strongly backed.

Supporters of the plan, however, vigorously rejected the federal criticism. Senator Bob Packwood, an Oregon Republican, said the state had been "stabbed in the back." State Governor Barbara Roberts, a Democrat, said nothing in the plan was intended to discriminate against the disabled.

Like other US states, Oregon is struggling to cope with the rising costs of its Medicaid programme of health services for the poor. Under existing rules, certain categories of the poor - for example, women with children - are granted unlimited access to services, while others, such as poor single adults, qualify for nothing.

This form of rationing has existed for decades in the US. The Oregon plan has provoked intense controversy because it proposes a different form of rationing. In essence, it says that the services received by all poor people must be rationed so that, with a limited budget, everybody shall be guaranteed access to a basic level of care.

The plan divides all health services into a total of 709 condition/treatment pairs. The ranking is determined partly by medical effectiveness (treatments that rarely work are at the bottom of the list) and partly according to value judgments expressed by Oregonians in surveys. The legislature was presented with the list last year and with a series of costings prepared by an independent actuary.

It then faced a simple task: to find how far a limited budget would stretch. The cut-off point was treatment pair 587 - nothing ranked lower was to be made available. Rejected treatments range from the trivial - such as viral sore throats - to serious conditions such as AIDS and some cancers, where prospects of survival are rated as very low. Hospice and comfort care for the dying, however, is provided.

Dr Sullivan said the priorities in the list appeared to reflect a "bias against persons with disabilities", and that many treatments which would help the disabled had received a low ranking. He urged Oregon to correct these biases, then resubmit its plan.

The ranking of treatments proposed by Oregon may be questionable, but its determination to improve access to care, and to set priorities for treatment, contrast favourably with a refusal elsewhere to accept that choices have to be made. Most health care systems ration care, but do so behind closed doors. Oregon has been penalised for open acknowledgement of its priorities.

NEWS: WORLD TRADE

China leans on Israel to drop Taiwan jet deal

By Hugh Carnegie
in Jerusalem

CHINA is putting pressure on the Israeli government not to go ahead with a proposal to sell 40 Kfir fighter aircraft to Taiwan, a deal which could be worth \$400m (\$210m) to Israel Aircraft Industries (IAI), the country's main arms-maker.

Mr Yitzhak Rabin, the prime minister, has become involved in intense discussion within the government over the issue. It pitches Israel's newly-forged diplomatic relations with Beijing against an important contract for the biggest state-owned company, which is struggling to restore profit margins after lapsing into losses in the late 1980s.

IAI has refused to comment on the deal, but is known to have been in discussion with Taiwan about the Kfir sale for some time. Although a relatively old aircraft, IAI has the advanced avionics and weapons technology to make an up-to-date version of the Kfir Mirage.

China only opened diplomatic relations with Israel earlier this year. Israeli officials are concerned that going ahead with the Kfir deal could jeopardise lucrative trade prospects in China which it began to nurture before official ties were completed.

The agreements establishing diplomatic links included Israel's signature on a document which in effect acknowledged that Taiwan was a province of China, not an independent state.

But supporters of the Kfir sale argue that other countries have sold weapons to Taiwan without damaging their trade with China. The final decision will rest with Mr Rabin.

Ansaldo and Siemens flesh out railway pact

By Haig Simonian in Milan

ANSALDO, the Italian state-owned engineering company, and the transport systems division of Germany's Siemens group have fleshed out further details of their preliminary agreement, signed in March 1991, to co-operate in railway equipment.

The two companies have agreed to work together on developing a cooling system for railway locomotives, based on technologies derived from both sides.

The new system will eliminate the use of freon gases, while maintaining the full operating capabilities of methods using CFC chemicals.

Ansaldo and Siemens have also decided to extend their collaboration into areas such as high-speed trains, urban mass transit systems for the US market and automated signalling equipment.

Precise areas of co-operation will be defined shortly, according to Ansaldo, which is part of

the Iri state holding company's Finmeccanica group.

The two companies hope that combining their resources will put them ahead of the competition in developing a new generation of high-speed trains to replace Germany's ICE or Italy's ETR 500.

The first fruits of the collaboration may be seen in Ansaldo's E402 locomotive, 70 of which have recently been ordered by the Ferrovie dello Stato (FS), the Italian state railway.

The FS is thought to require about 200 units, meaning that future models may incorporate cooling technology based on the Siemens-Ansaldo deal.

Earlier this year, Siemens passed an important first hurdle in its attempts to break into the Italian market by being officially recognised as a potential supplier to the FS.

Meanwhile, an Ansaldo official said the collaboration with Siemens meant its cooling technology would also be used in future German locomotives.

Hills warns Tokyo of 'actions' in chip row

By Nancy Dunne in Washington

MRS Carla Hills, US trade representative, yesterday put Tokyo on notice the US will take "actions" if Japanese companies do not increase their purchases of foreign semiconductors.

A special US inter-agency review says Japan is failing to improve market access for foreign chip suppliers. Previous efforts have pushed the foreign share to about 14.6 per cent, but it has stayed "flat" since the third quarter of 1991.

The 1991 US-Japanese Semiconductor Arrangement acknowledged the US industry "expectation" that foreign share would grow to over 20 per cent by end-1992.

Japanese government and industry "have it in their power to correct insufficient progress and ensure successful implementation of the promising plan to expand market access announced in June by US and Japanese industry," Mrs Hills said. "If substantial improvement is not achieved, we will take extra actions, as necessary, to fulfil the terms of the Arrangement."

The June plan outlined specific steps to raise foreign sales: Japan's 10 biggest electronics companies agreed to give foreign suppliers advance information on plans for chip purchases in the third and fourth quarters of 1992.

Mrs Hills said it was too early to assess results of that agreement. A Semiconductor Industry Association official said "early reviews showed the effort 'is not succeeding'."

Many Japanese fear the review is an attempt to prepare for sanctions before the November presidential election so the administration can show its resolve in trade rows. Mrs Hills may announce retaliation before the five-year pact expires, but she may now just be sabre-rattling. The second is seen by some as a test of the efficacy of "managed trade" pacts. The SIA said: "You can't actually force people to buy chips, but you can indicate it is in everyone's interest for users to look outside Japan for semiconductors."

Turkey close to Libyan debt deal

TURKEY is near to winning Libyan agreement to settle a \$600m (\$314m) debt owed to Turkish contractors, if details of a protocol involving a debt-for-oil swap can be finalised, John Murray Brown reports from Istanbul.

Officials from the Turkish Eximbank and Libya's Umma Bank last week finalised terms

to provide payment to Turkish contractors for the first time since September 1990. Mr Ozer Oclmen, head of the Union of Turkish Contractors in Libya, said Tupras, the Turkish oil company, has still to fix a price for the Libyan crude, proceeds of which would be lodged in an account in the Eximbank to repay Turkish contractors. He

expected final agreement in the next 10 days.

Turkish contractors have done more than \$100m-worth of deals since the early 1980s, building infrastructure for the Libyan oil industry. At one time, over 200 Turkish companies were engaged in this market. Today, 38 Turkish groups are owed \$282m by Libya,

according to Turkish figures. The balance is owed by local Libyan authorities.

Mr Oclmen traces the problem to Turkey having made its lira convertible in 1990. To comply with terms of an IMF pact, Ankara had to close the account held by the Turkish bank through which Libyan payments were made.

Malaysia makes Pacific waves

Calls for east Asia trade pact are worrying some, writes Kieran Cooke

MRS RAFFIDAH Aziz, Malaysia's minister of trade and industry, does not mince her words. On a recent visit to Tokyo she described Japan as acting like "a bashful bride". On a subsequent visit to Canberra, she asked the Australians to decide whether they were part of Asia. In between Mrs Raffidah launched a thinly veiled attack on the US, warning it about interfering in Asia's affairs.

The subject under discussion has been the East Asian Economic Caucus (EAEC), an idea inspired by Malaysia to combat what it sees as a growing tendency among the industrialised countries to divide the world into regional trade blocs. Malaysia wants the fast growing economies of east Asia, including Japan, to join together to form common positions on questions of trade.

Now it seems to be making a determined effort - through Mrs Raffidah and Mr Abdullah Badawi, the Malaysian foreign minister - to bring the EAEC to reality. So far the Japanese remain bashful about the EAEC, the Australians are still undecided, while the US makes no secret of its continued hostility to the idea.

An EAEC was first suggested by Dr Mahathir Mohamad, the Malaysian prime minister, more than a year ago. Malaysia's fellow members in the Association of South East Asian Nations - Indonesia, Singapore, Thailand, the Philippines and Brunei - have not been greatly enthusiastic about the idea.

In the first instance it appears the other ASEAN members were not consulted. There has also been the fear that a new trade grouping, including the powerful north-east Asian economies, would be looked on



Mrs Rafidah: sees little progress on multilateral front

with great anxiety, especially in North America where it would be likely to increase already strong protectionist sentiment.

Mrs Raffidah insists that the EAEC would not become another trade bloc. She says the idea of the EAEC came into being because of frustrations about the lack of headway being made in the Uruguay round of multilateral trade talks.

"Because we do not see free trade coming, we would like to talk about getting freer trade in this part of the world," says Mrs Raffidah. "It is important for east Asian economies, which account for 20 per cent of total world trade, to meet at private sector, official and ministerial levels to discuss how they can enhance trade and investment."

The US has clearly stated its opposition to any move towards an EAEC. In the words of Mr James Baker, the

US secretary of state, an EAEC would "draw a line down the Pacific" with the US on one side and Japan and the other Asian economies on the other. Though Malaysia has watered down its original proposal - describing the EAEC as a caucus rather than its original group title and stressing its proposed mainly consultative role - it seems the US will not be satisfied until the idea is dropped entirely.

"Washington clearly sees the EAEC as the camel's nose under the tent," said one US source.

Instead, the US is stressing the importance of Apec - the Asia-Pacific Economic Co-operation forum. On a recent visit to Kuala Lumpur, Mr Paul Wolfowitz, the US under-secretary of defence, said the US could not afford to drop its commitment to east Asia.

"In 1991, our two-way trade across the Pacific exceeded

\$310bn - nearly one third larger than our trade with Europe. The US exports more to Malaysia than to the countries of the former Soviet Union; more to Indonesia than to eastern Europe and more to Singapore than to Spain or Italy."

Japan has been non-committal so far about an EAEC. On one hand Japan is deeply involved in the region's economies, with an estimated \$38bn invested in the ASEAN countries - nearly a third of its total overseas investments.

But Japan remains sensitive not only to US trading pressures, but also to fears expressed in some south-east Asian countries about growing Japanese economic dominance - which inevitably conjure up wartime memories of Japan's "Greater Co-Prosperity Sphere" in Asia. For these reasons Tokyo would be unlikely to want to take a lead role in an organisation such as EAEC.

Malaysian officials privately argue that an EAEC would in fact contain Japanese power in the region. Within an EAEC forum Japan could be pressured and steered in the right direction.

Malaysia risks embarrassment by continuing to press the EAEC idea so strongly to an apparently unappreciative outside audience. But as the fastest growing economy in the Asian region over the last four years it clearly feels its onward success is threatened.

The fear for countries such as Malaysia, said one government minister, is that the world trading environment is disintegrating into regional blocs "with each appearing like a beautiful castle from inside, but in effect a fortress to those outside."

Germany's industry appeals for barter cover

By Christopher Parkes in Bonn

GERMANY'S leading industry and trade associations yesterday appealed for federal guarantees to cover barter trade deals with Russia and eastern Europe.

"We are looking for new ways of doing business with the east in the '90s," said Mr Gerhard Reckel of the BGA foreign traders' association. The classic trading formula - goods for money - would no longer be effective in the foreseeable future.

Barter would become increasingly important, but there was no federal mechanism comparable with the Hermes export credit insurance agency to protect German companies.

The appeal for new support from the BGA along with the Federation of German Industry (BDI) and the national trade and industry chamber (DIHT) will be discussed with the finance and economics ministries next week.

According to the BGA, trade with Russia and former Soviet Republics fell a further 25 per cent to 30 per cent in the first five months of this year. Almost all business now being transacted was between German companies and their subsidiaries in the east.

In 1991, German exports to the former Soviet Union fell 35 per cent to DM18.2bn (\$8.2bn) and imports dropped 20 per cent to DM14.6bn.

The associations claimed that barter guarantees had advantages in that banks would not need to be involved, and that eastern trading partners were less likely to renege on agreements than with credit deals.

Defending their claim for state aid, they pointed out that Mr Jürgen Möllemann, economics minister, who has promised to develop but has yet to unveil a new eastern trading strategy, admitted that his plans would "cost money".

"One thing is clear. Without subsidies there will be no trade at all with the east in the next few years," Mr Reckel said.

Pressure grows for state aid on housing market

By Andrew Taylor and Robert Peel

PRESSURE ON the government to revive Britain's housing market intensified yesterday following the publication of figures showing a further sharp fall in housebuilding during the three months following the general election in April.

The announcement by the environment department of the decline in housing output sent share prices of construction and building material companies tumbling on the London Stock Exchange.

The FT-Actuaries index of leading construction shares fell by 2.6 per cent yesterday to 608.88. The FT-A building materials index fell 3.2 per cent to 766.43.

Housebuilders in Britain, after allowing for seasonal variations, started work on 8 per cent fewer homes in April, May and June than during the previous three months, according to the Environment Department.

The total number of starts of 36,500 were the lowest quarterly figure since the final three months of 1990 when the housing market was at a very low ebb just before the start of the Gulf war.

Publication of the latest start figures coincided with fresh appeals to the government to pave the way for an

economic recovery by stimulating the housing market and boosting consumer confidence. Meanwhile, Lord Alexander, chairman of National Westminster Bank, yesterday put forward a three-point plan for economic recovery, while backing the government's commitment against any devaluation of the pound within the European Exchange Rate Mechanism (ERM).

He wants to boost the housing market by doubling the ceiling on mortgage interest tax relief from £30,000 to about £60,000, though he would want all mortgage tax relief abolished in 10 years.

The bank also favoured greater government spending on transport and infrastructure projects and is also promoting the granting of accelerated tax allowances on capital investment by companies.

Mr Donald Kirkham, chief executive of the Woolwich Building Society, also appealed to the government to allow mortgage tax relief on loans up to £50,000 for the first 12 months after a house purchase.

He said homeowners were feeling poorer every month as house prices and consumer confidence dwindled. As a result people were saving more and spending less.

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LSE bid for County Hall dismissed as speculative

By Andrew Adonis

CONTROVERSY surrounding the bid by the London School of Economics to move to County Hall, the London site on the banks of the Thames opposite the House of Parliament, grew yesterday when the London Residuary Body (LRB) publicly urged the government to reject the bid out of hand.

The LRB, which owns the site on behalf of the London boroughs comprising the former Greater London Council, is adamant that its original decision to sell the site to Shirayama, the Japanese developer, was right. It dismissed the bid by the London School of Economics (LSE) as "highly speculative and not worth serious consideration".

The LRB argues that the offer, made last week, does not even meet the university's own agreement with Mr Michael Howard, the environment secretary, that it submit an "unconditional bid".

"The LSE offer is conditional on the completion of the sale of their present Houghton Street premises at a highly speculative value in three years' time and on receiving clearance from the Universities Funding Council," it said.

The time of the LRB's criticism reflects the frustration of Sir Godfrey Taylor, its chairman. The government changed its mind after the election to allow the LSE to bid, although its desire to move to the site from its cramped campus in central London had been known for months before the sale to Shirayama.

Sir Godfrey is advising Mr Howard not only to reject the bid, but to remove the clause in the Shirayama contract giving the government until the end of the year to withdraw from the agreement.

"We want to remove the get-out clause so that Shirayama can get on with their planning application for the hotel conversion and we can get on with finding a buyer for the rest of the site," he said.

Shirayama's £60m contract is only for the riverside building. The LSE is offering £65 for the whole County Hall site, less than half of which is occupied by the building. The LRB believes it could secure "well in excess" of that sum for the entire site.

Rail complaints reach record

By Richard Tomkins, Transport Correspondent

COMPLAINTS about British Rail (BR), the state rail network, reached record levels in the year to March, the passengers' statutory watchdog reported yesterday.

But the Central Transport Consultative Committee (CTCC) blamed the government more than BR, claiming it had failed to allocate enough resources to the railways.

Major General Lannox Napier, CTCC chairman, said: "I give British Rail credit for doing its best with outdated equipment and rolling stock and inadequate levels of long-term investment."

The CTCC's report acknowledged that big increases in funding had been authorised by the government, but said they had still left BR £3.1bn short of the £7.4bn it needed for investment over the next three years.

The result had been that badly needed projects such as rolling stock replacement for Network SouthEast commuter services and the upgrading of the West Coast Main Line had been put on indefinite hold.

The CTCC said alternative methods of financing investment needed to be explored, such as leasing arrangements and allowing BR to tap the international money markets for funds.

Complaints rose from 8,053 to 8,371 in 1991/92, an increase of 3.9 per cent. This was more than twice the number in 1985/86 and more than four times the number in 1980/81.

Top five categories of complaint were punctuality, suitability of services to passenger requirements, the amount of



Age of the train: underinvestment has forced BR to rely on old rolling stock and tracks, leading to delays and complaints

information at stations, fares, not against privatisation, but he was wary of the risk that the government could use it as an excuse to cut investment in infrastructure and rolling stock.

Major Gen Napier said he supported the Passenger's Charter, but felt it should have set tougher targets. He said he was

TUC faces radical overhaul

By Michael Smith, Labour Correspondent

SENIOR union officials are proposing that the Trades Union Congress (TUC) – the umbrella organisation for UK unions – should concentrate on just six priorities, a third of the current total, in a move they will present as a radical rethink of its role.

The proposals, made in a confidential document approved by the TUC's ruling general council, have been formulated as a growing number of affiliated unions are questioning the organisation's effectiveness following a fourth consecutive general election

victory by the Conservatives. The TUC document, due to be submitted to the September congress, follows a 20 per cent reduction in staff implemented to avert financial deficits.

It acknowledges that a "more sharply focused programme of work" is needed. The Congress's six priority tasks will be a campaign for full employment, promotion of an employee's charter, lobbying on trade union legislation, Europe, developing services on education, health and safety and equal rights and "planning the inter-union future".

Although the document does not go into details on such a code, it is likely that the TUC

will propose that unions do not actively recruit each other's members, even though the legislation would make it virtually impossible for the congress to forbid poaching.

Current TUC policy is to concentrate on 17 priority areas. Those include the development of free trade unions in central and eastern Europe, "quality in public services", joint action on training and trade union recruitment.

The document says the reduction in priorities provides a basis for allocating the TUC's more limited resources and for a concentrated public relations effort around proposed campaigns.

Britain in brief



Bids invited to manage riot-torn jail

Bids to manage the re-built Strangeways Prison, Manchester, which was severely damaged in Britain's most serious jail riots of modern times, are to be invited from both the public and private sectors.

If ministers choose a private sector bid, Strangeways will become Britain's first old-established prison to be run under private management.

Strangeways is undergoing extensive refurbishment after the riot damage two years ago, and bids for its management will be invited in the autumn.

Securicor, the security services group, said that it is likely to be among the private-sector organisations interested in bidding.

Engine plant to start output

General Motors is to start production in November at its £190m engine plant at Ellesmere Port, north west England.

The top-of-the-range V6 engines to be produced at the plant will be used in GM's European Opel/Vauxhall executive cars and will also be supplied to Saab Automobile, the Swedish car maker in which GM holds a 50 per cent stake and management control.

Crimes rise at petrol stations

More than eight in 10 petrol stations last year suffered crimes, including armed robbery, attacks on staff, burglary, fraud, theft and vandalism, according to a survey of petrol retailers published yesterday.

Of 604 members of the Petrol Retailers' Association questioned by Gallup, 84 per cent said they had suffered some form of crime; 55 per cent had suffered "drive-offs" – motorists failing to pay – 50 per cent had suffered credit and cheque card fraud, and the use of forged banknotes; 41 per cent suffered shoplifting; 34 per cent suffered burglary and vandalism; 15 per cent suffered robbery; 7 per cent suffered attacks on staff.

Pay deals remain static

Pay settlements in the Scottish engineering industry have now remained below 5 per cent for five consecutive months, according to employers.

Colonel Howard Jordan, chief executive of the employers' body Scottish Engineering, said the increases reflected the slow rate of growth in the industry. Figures for the three months to July show an average increase of 4.8 per cent.

UK reserves fall by \$86m

The UK's gold and currency reserves fell an underlying \$86m in July, indicating small-scale intervention by the Bank of England to support sterling in the exchange rate mechanism of the European Monetary System last month.

The Treasury, however, said

that stripping out proceeds from the privatisation of British Telecommunications, the official reserves fell a net \$296m.

Casualty units overstretched

Staffing at accident and emergency departments in England was often overstretched with some being manned by inexperienced doctors during busy night periods, according to the National Audit Office.

In a report on National Health Service casualty departments in England, it said medical staffing levels often fell "well short" of recommended levels.

In a report on Scotland, it found consultants for accident and emergency departments were "often overstretched".

Go-ahead for Center Parc

The government has given the go-ahead to the UK's third Center Parcs holiday village, to be built at Longleat in Wiltshire, creating up to 750 jobs.

The 400-acre development in Aulcombe Wood, more than two miles from Longleat House and safari park, was granted outline planning permission after a public inquiry in January.

Insurer plans scheme to cover price falls

BUYERS of new homes will be able to insure against plummeting property prices under a scheme launched this week, writes Andrew Taylor.

The scheme, provided by General Accident Property Services which operates a chain of 400 estate agents and is part of the General Accident insurance group, comes as the government is under pressure to stimulate the depressed housing market. House prices in south-east England have fallen by a quarter since 1989-90.

General Accident is offering to cover owners forced to sell

their home within three years of a purchase against losses of up to 10 per cent of the original price, to a ceiling of £15,000.

The scheme will not be offered to the public, but will be sold through housebuilders, as a sales incentive. The cost to builders would be a flat fee of less than £300 a house which would last for three years' cover.

General Accident said that purchasers, to qualify, must have been forced to sell their home by loss of a job or forced job move, a divorce or separation, or by the withdrawal of equity by a joint mortgagee.

London landmark shows signs of financial neglect

Plans for a city leisure complex have floundered, write Jimmy Burns, John Plender and Richard Donkin

THE controversy surrounding Battersea Power Station, the semi-derelict London landmark on the river Thames, looks set to be refuelled more than two years after redevelopment work was halted due to lack of funds.

English Heritage, the state-funded conservation body has asked the owner, property developer Mr John Broome what his plans are for putting the future of the power station on a firmer financial footing.

The move follows the publication last month of a report by the National Audit Office, the government spending watchdog, warning that many listed buildings are at risk because of slack financial monitoring.

Mr Broome has shunned media attention since his plans to have a leisure complex on the Battersea site, opened by Mrs Margaret Thatcher in May 1990, came to nothing.

His spokesman Mr David Cooper says he is confident about negotiations to revive plans for the leisure complex. Battersea Leisure, Mr Broome's company, claims to have held talks with Abela Holdings, a Lebanese owned hi-light catering group.

But Abela denies it has been involved in any talks on the power station. It remains to be seen whether the company becomes the latest potential partner to shun Mr Broome's approaches.

A potential link-up with a Japanese consortium has also been dismissed as a "red herring" by banking officials in London.

Earlier approaches to property developer Mr John Broome and Paine Securities, part of Mr Warner Roy's Swiss-based Omni Holding Empire have also failed to meet the expectations generated by the Broome camp.

The approaches were made after Mr Broome had been ordered by his creditors to halt work on the leisure development after costs soared by an unbudgeted \$60m to £230m by 1989.

Bank of America, Mr Broome's main lender since taking over Security Pacific,

has refused to comment on the Battersea project, insisting its finances were protected by "client confidentiality".

It is understood, however, that the Battersea portfolio is being overseen in a special department of the bank's London offices which deals with loans which are on a critical list, in default, or in a "special care" category.

Although Mr Broome realised \$60m from the sale of the Alton Towers leisure complex to Pearson, owners of the Financial Times, his finances are still stretched.

Mr Broome's company, Battersea Group, formerly Alton Towers, spent £18m on the acquisition of 85 per cent of the Battersea site in 1987. This figure includes the cost of foundation work and clearing the site of asbestos. At the peak of the property boom in 1988, when it bought the remaining 15 per

cent, Battersea Leisure, the subsidiary which owns the site, was valued at no less than £110m.

Yet Battersea Leisure had a deficiency of net tangible assets at the time of more than £300,000. The difference between minus £300,000 and plus £110m represented hope value: the amount the project might be worth on the assumption that it would proceed to a successful conclusion.

When Battersea Leisure last filed accounts – for the year to November 30, 1990 – its tangible assets, chiefly of land and buildings on the old power station site, had risen to £90.4m in the balance sheet. But £28.6m of this figure consisted of capitalised interest owed to the banks. A further £7.1m represented project management fees and other expenditure charged to the company

by fellow subsidiaries in John Broome's property and leisure group.

The assets were financed by a bank loan of £47.1m secured by charges in favour of Security Pacific National Bank since taken over by Bank of America, trade credit thought to come largely from Sir Robert McAlpine, of £15.2m, much of which is secured on a second charge, and £20.3m of borrowings from other John Broome companies.

The auditor's report, signed by Touche Ross on April 24, 1991, assumed that the company was able to find finance to repay current bank borrowings and to complete the Battersea power station project. Outside estimates have put the ultimate cost of the scheme at anything up to £300m.

But the Battersea site is a valuer's nightmare; in today's depressed London market, in

which development property has been particularly badly hit, most of the value could have been wiped out, leaving the banks and other creditors with very little to cover their outstanding loans.

An unusual feature of the saga is that John Broome originally bought 15 per cent of Battersea personally in 1987. He then sold this minority stake for an inflated price of £16.5m in 1988 to Alton Towers. Some £11m of the proceeds were paid to John Broome in the form of shares in Alton Towers, while he was paid the remaining £5.5m in cash.

Today the shares are almost certainly worthless. But unless the banks extracted personal guarantees for their loans to his business empire, Mr Broome will have extracted an impressive £5.5m of cash profit from a development that continues to scar the London landscape and which may never be completed.

Mr Cooper disputed that figure and insisted that any cash left over from the sale went on tax liabilities.

"John Broome did the 'right thing' by putting the proceeds of his Alton Towers sale into the Battersea project."

"He ought to be patted on the back or else called a complete idiot, because he could have run off with the money. I think probably the reason he did was because he wanted a knighthood at the end of the day."

In fact the knighthood has eluded Mr Broome in spite of being declared a man of "enterprise and vision" in June 1988 by Mrs Thatcher.

Instead there appears to be growing embarrassment in the Conservative party about the way the issue has been handled amid fears it could damage the image of the local authority, Wandsworth Council, as a prudent local authority.

The council had budgeted on making £1m in building fees from the leisure development in the period 1988-91. Instead it threatened Mr Broome with legal action last month to recover more than £170,000 owed for building control and inspection work on the semi-derelict Power Station.

As one Tory councillor put it: "The most important change for Mr Broome is the willingness of the council to indulge in him has gone."

Despite the damaging impact on the Battersea landscape of the half-derelict development, Mr Guy Senior, chairman of the council's planning committee said: "It has not been our responsibility to know what the state of Mr Broome's finances are or were. That is the responsibility of the banks."

Bankers say they know the state of Mr Broome's finances only too well. Their problem however is twofold: the Battersea site is probably now worth less than the money they are owed, and even if they became owners of the power station they would find it difficult to know what to do with it.



Boom to bust: Battersea developer John Broome (above) is under pressure to put the site on a firm financial footing

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MANAGEMENT

Victor Mallet looks at an unusual rehabilitation project

Enterprise brews in Cambodia



Foreign investors could be forgiven for shuddering at the mere thought of embarking on an industrial venture in Cambodia, where the infrastructure is in a shambles after two decades of war, skilled workers are dead or exiled and Khmer Rouge guerrillas refuse to lay down their arms in accordance with a UN peace plan.

Indeed, most of the businessmen thronging the hotels of the capital Phnom Penh are traders, property speculators, bankers or UN contractors. But John Harper, an energetic 50-year-old Australian entrepreneur, is about to start making Cambodian beer.

The triumphs and travails of Harper and his Australian and Malaysian partners in their 18-month-old project to rehabilitate the brewery in the port of Sihanoukville (previously Kompong Som) demonstrate some of the risks and potentially high rewards of investing in a chronically unstable developing country.

As a partner in Pacific Maltage of Ballarat in Australia, who had spent 10 years working in Asia, Harper knew that Indochina was an important growth area for the beer industry. He first heard of the Sihanoukville brewery on a visit to Laos in late-1990 and assumed there would be a chance to sell malt when it re-started production.

Accompanied by officials of the ministry of industry and a military escort on the dangerous 250km road from Phnom Penh, he went to see the idle and neglected brewery and ended up taking it over himself.

The brewing and soft drinks complex overlooking the sea was built by a French contractor in the late 1960s for the then Cambodian government, but a few years after production began, the war in Cambodia overtook the town and forced the

French expatriate staff to leave. Angkor and Bayon, the regular and premium brands named after the renowned Khmer temples in northern Cambodia, were not to appear on the shelves again until this year.

During their reign of terror in the 1970s, the extreme-left Khmer Rouge guerrillas emptied Cambodia's cities in pursuit of an agrarian revolution. Local employees from the brewery were scattered and killed, and no more beer was made. "We found it 20 years later," says Harper. "It's like you've bought a brand new Jaguar, driven it for 18 months and parked it in the garage for 20 years. It's okay, but it's not a new model. The tyres are flat and rats have got into the wiring. We knew we had taken on a formidable task."

He and his Australian partner, Stanley Ng, registered Cambrew Pte in Singapore for the \$5m (\$2.6m) rehabilitation project, and later sold a majority stake in the venture to a group of Malaysian investors.

"The most formidable problem was that there was not one drawing, not one manual, not one piece of paper to identify the equipment," says Harper. Baffled by the unfamiliar French layout, Harper and his colleagues were reduced to pouring red dye into the drains to see where it emerged.

The mystery of the missing documents was later solved by the few surviving employees: China was the principal supporter of the Khmer

Rouge, and the guerrillas had turned to the Chinese brewers, Tsing Tao, in a vain attempt to reopen the plant. According to the Cambodian workers, the Tsing Tao experts took photographs and shipped all the manuals to China.

Harper became a detective. By noting the names on the various pieces of equipment in the brewery, he discovered that Nordon was the main contractor and travelled to Nancy in France, where he was rewarded with a pile of plans and drawings. The laborious task of stripping down or replacing everything from boilers to refrigeration units could begin.

"Given the choice I'd rather build a new plant," sighs Vijayan Kuttan, Cambrew's Malaysian production director in Sihanoukville. "From a manufacturing point of view it was a nightmare."

Boilers had to be cut open and rebuilt, gaskets replaced, pressure lines tested and a shell-hole in the soft drinks unit cemented over. "Mechanically it looked alright from the outside, but when you've got a plant that has sat still for a very long time, it's got more damage than if it had been run."

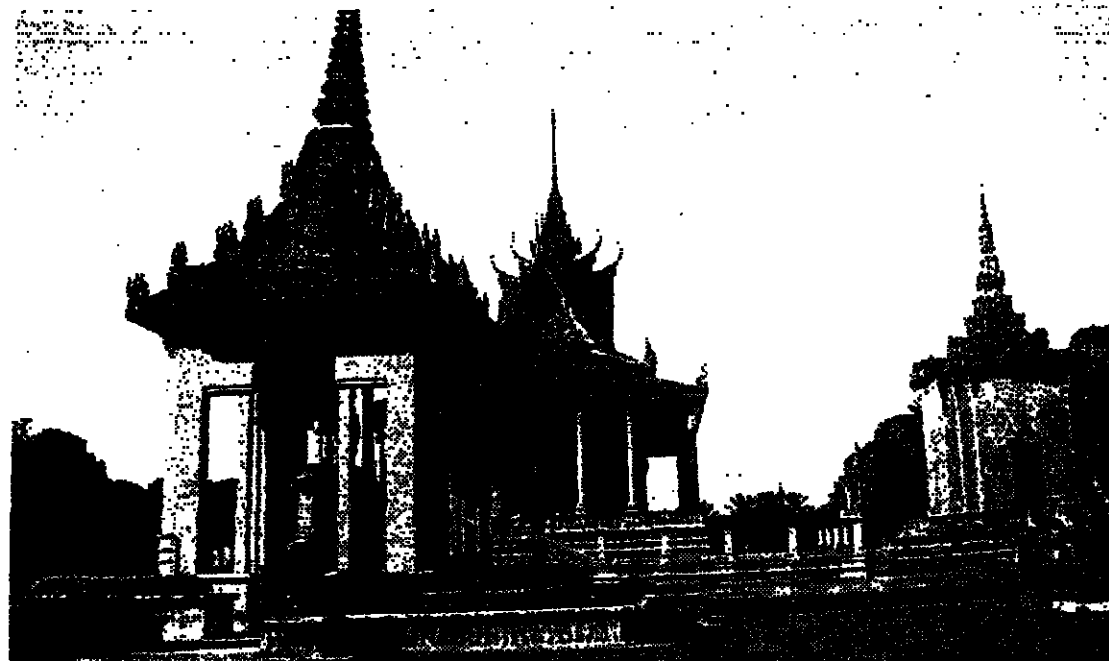
Cambodia's desperate economic straits made matters worse. "Messages initially had to be sent by taxi," says Kuttan, who now has a satellite telephone installed on the balcony of the brewery's adminis-

tration block. Even today, Sihanoukville produces no electricity in the daytime because of a shortage of fuel, and soldiers wave down cars and trucks on the road to Phnom Penh with their guns to beg for cigarettes or money. The UN operation which has so far failed to eradicate such problems has also lured many skilled Cambodians away from the domestic economy, and Harper says he lost six of his 16 marketing staff to the UN.

In such circumstances it was inevitable that the brewery would have to become a self-sufficient complex, generating its own electricity and purifying its own water for a planned initial capacity of 250,000 hectolitres of beer a year. Harper has even taken over a Phnom Penh glass plant - built by the Chinese in 1968 - and brought in Chinese partners to produce the bottles, although the first batch will be imported when beer production begins in the next few weeks.

Before the repairs to the plant could begin, Harper spent four months in negotiations with the Cambodian government and it was not until April last year that the two sides drank Russian champagne to celebrate a deal. Cambrew was awarded a 20-year lease at what Harper calls "a very acceptable rental" and was granted tax and customs privileges for the project.

Australia's active role in the Cambodian peace talks which led to the comprehensive settlement agreed in



Cambodia: foreign investors are beginning to return to the country after two decades of war

Paris last year was a helpful influence, Harper says. He also says he applied two rules to the Cambrew operation: no corruption - even if it means paying \$50,000 for a satellite telephone instead of a \$3,000 bribe for a regular international phone line - and no private security forces carrying weapons.

Cambrew appears to have few worries about the market for its beer. Apart from strong demand from Cambodians themselves, Harper estimates that each of the 20,000 UN soldiers and officials in Cambodia is consuming between a case and a case and a half of beer each week. At present all beers and soft drinks in Cambodia are imported in cans - mostly from Singapore - and Cambrew is in the gratifying position of being wooed by various foreign companies which are anxious to have their beers made in Sihanoukville under

licence. The Cambrew plant will also be bottling soft drinks for Pepsi-Cola International.

Harper is understandably coy about how long it will take Cambrew to recoup the cost of its investment, but it is unlikely to be more than a few years. Critics can already be heard complaining that foreign investors like Cambrew are making a financial killing out of Cambodia, but the risks remain immense.

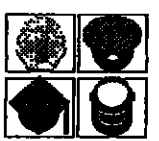
For a start, there is no guarantee that the authorities will be willing or able to implement their promise to impose higher customs duties on imported beer. At the moment there is supposed to be a levy of a mere \$2.20 on each case of 24 cans, but a cash bribe is said to be sufficient to ensure inaccurate counting of the cases.

Khmer Rouge guerrillas are still roaming the countryside and refus-

ing to co-operate with the peace plan, and the Vietnamese-installed government with which Cambrew struck its agreement is now regarded as only one of the four Cambodian factions and has no legal authority to govern on its own.

Harper is quick to point out that Cambrew will be directly employing 1,000 Cambodians, that it will save the country millions of dollars in foreign exchange each year and that renegeing on the prestige brewery deal would "destroy direct foreign investment" in Cambodia.

"We were dedicated to make it work in an environment which was very, very tenuous. It wasn't easy when everyone was telling us we were crazy," he says. "We will - unless something dramatically goes wrong - make a very gracious return out of our commitment. But so it should be."



Mention the initials MCI to most UK managers and you are likely to get a blank response. At best they will think you are talking about a US telecommunications company. Yet 130 civil servants at the Driver & Vehicle Licensing Agency know better. They are using new management standards set by the Management Charter Initiative in their annual appraisals.

Formally launched in July 1988 to boost management training, the non-profit and part-government funded MCI has been dismissed by critics as little more than a talking

Incentive for bosses to rally around the standard

Lisa Wood explains why managers are finding it valuable to opt for vocational qualifications

shop. But now, three years on, it is starting to be able to point to some tangible achievements.

"Things are starting to take off now that we have something to promote actively," says Andrew Summers, the new chief executive of the MCI and a former managing director of BEM Foods, a Banks Hovis McDougall subsidiary. "We have a 10-point code of practice, to which more than 1,300 companies have signed up."

The code of practice was a wor-

thy document with signatories agreeing to a host of good practices such as providing access to training and a framework for self-development.

However there was no mechanism to judge whether the companies were implementing the code. By contrast, the new middle-management standards - based on the best practice among a sample of 4,000 UK managers - offer practical training guidelines.

Along with two other standards

for first line managers and supervisors, they have been linked to National Vocational Qualifications. These are competence-based qualifications, which themselves are only starting to get off the ground.

NVQs span a wide span of achievement - from basic competence to the vocational equivalent of a post graduate degree. The stiffest resistance to NVQs has come from the professions who resist competence-based qualifications.

Summers says that one of the attractions of the MCI standards for many managers is that previous experience and learning can be taken into account when a person's competence to do a job is judged.

He estimates that it costs between £800 and £1,500 for each individual to be accredited for the middle-management standards.

This excludes the cost a company would incur in training a manager over a period of years but includes workshops and advice. A minimum

time to obtain accreditation would be about three months with an average time being about 12 months.

It is a considerable investment for an individual - or an employer - to make. Summers says that employers rarely say that cost is an important reason for not training their employees.

More significant, according to survey results, is the time that training takes, with smaller companies in particular finding it diffi-

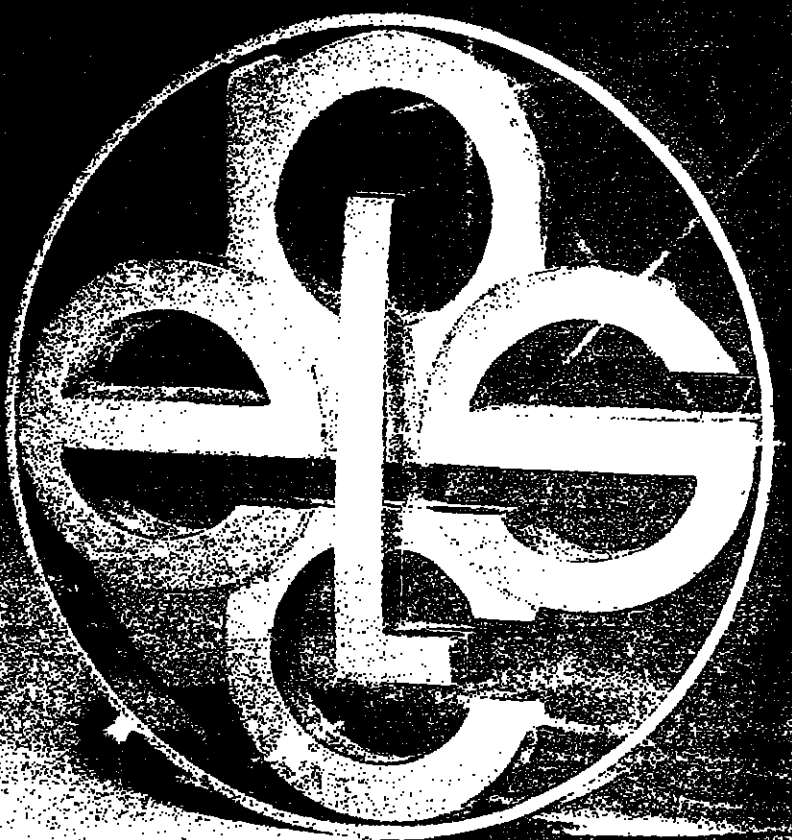
cult to release individuals from their workplace. NVQs, says Summers, ease this problem as almost all the assessment process is done at work.

Some 76 "centres", including training companies and colleges, now have trained assessors who can accredit the new qualifications.

A survey, published by Coopers & Lybrand, the accountancy and management consultancy last week showed some 20 per cent of the large companies polled in May believed the MCI had encouraged the company's human resource development. Not bad considering that the survey was done around the time the new standards were unveiled.



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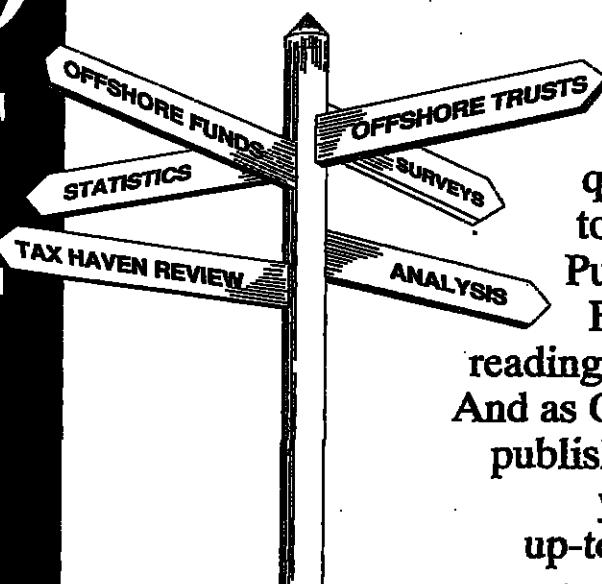
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OFFSHORE FINANCIAL REVIEW. A Financial Times Publication

Aussie hockey stars in sight of gold

By Keith Whitley

AUSTRALIA'S hockey players laid a ghost when they knocked Britain out of the Olympic tournament. Both at the Los Angeles and Seoul Games the Aussies were gold medal favourites and went home with nothing. Thumping the Old Enemy 6-0 to secure a semi-final place against the Netherlands has given the Australians an enormous boost.

If the Dutch can be seen off tonight, as form suggests, then the most likely final is between Australia and Germany. At Karachi in February the German team convincingly won the Champions' Trophy to add to their current European title.

Set-piece moves, methodical and well-rehearsed, are at the heart of German success. Their remarkable forward, Carsten Fischer, has scored three goals, all from penalties or penalty corners. Fischer's shaven head - a side-effect of drugs taken to combat diabetes - and industrial build lend him dominance in front of any goalmouth.

Yet directly below him in the table lie Australia's two most prolific forwards, Stephen Davies and Jay Stacey, with seven of their aggregate 10 scores from field goals.

German coach Paul Lissak watched from the stands, estimating the combined penalty which would be necessary to end his country's 20 years without Olympic gold.

Australia's coach Frank Murray believes that his young team may be finding the key to turning their undoubted ability into victories. "It's a confidence thing," he said. "They are just beginning to feel relaxed and when you're young and inexperienced that's the only way to play well. I've been thrilled at our attack but don't forget that we've only conceded two goals in the qualifying rounds."

Lissak faces a special psychological hurdle in taking his German team past Pakistan, first, and then Australia to a gold medal. In 1990 the team passed a vote of no-confidence in Klaus Kleiter, a member who had led them for many years but with the biggest successes always elusive. Lissak played 50 times for his country.

Should Germany play and win in their traditional style it will raise once more the tempo of hockey's internal debate about the influence of the penalty corner on a game that relies for its very attractiveness on the sheer speed of play up and down the pitch.

"You have to be efficient at penalty corners but they're not the be-all and end-all. It's not about people when they dominate a team's results," said Ian Taylor, former British international and now a BBC commentator.

Defeat by Australia marked the end of a glorious era for men's hockey in Britain. Sean Kerley was both its herald and pallbearer. He announced after the match that his career was effectively over.

"This is the end. I don't see myself playing any more international hockey," he said after his third Games. Kerley's seven goals in Los Angeles and eight in Seoul were the keystones in Britain's silver and gold medal performances.

Perhaps more important, his panache and good looks gave the game a massive publicity boost and young male players a role model.

In the 12 months after the team's return from Korea, even routine club hockey matches in the south of England would find hundreds of spectators on the touchline rather than dozens.

If Kerley was playing, numbers could be in the thousands, virtually overwhelming small clubs. It couldn't and didn't, but it threw a welcome spotlight on a sport that has always felt, with some justification, that in Britain its skill, speed and integrity were too often overlooked.

"Olympic success has meant a massive amount in terms of sponsorship visibility and, more importantly, young players being attracted into the game," said coach Norman Hughes in valedictory mood.

Mods versus Skinheads

Peter Berlin watches a consummate team sport in a rough part of town

THE MODS took on the Skinheads, the other night in Barcelona. It was quite a rumble.

This wasn't some polite Olympic contest in one of the air-conditioned, hill-top sports palaces built for the Games. This was a street affair fought in a sweaty old gym near one of the rougher parts of town.

The US men's volleyball team, winners of gold at the last two Olympics, took on the younger, bigger Italians, who are the reigning world champions.

The Italians had already won their qualifying group and the US was sure of second place, so this was a battle for pride and a psychological edge should the two meet again in the gold medal game. The battle lasted three hours.

First came finger-pointing and stares. Then the hitting started: violent and unrelenting. Volleyball may not be a contact sport, but it is not short of aggression.

In a game where the two teams are separated by a net, looks, including stares, are important.

The US team, half of whom give as their home towns beaches in southern California, shaved their heads last week to express solidarity with their bald team-mate, Bob Samuelson, following a yellow-card dispute which cost them an earlier match.

It was a brave thing to do, especially as Samuelson, who has no facial hair and therefore no experience of razors, did most of the shaving. Even with five days' growth (Samuelson accepted) the team look highly menacing - and thoroughly stupid.

The Italians, all star players with the big professional clubs in the Italian league, also pay close attention to their hair: short but not staid with a little something to hold it in place even when they are diving around the floor and leaping in the air and sweating like flying pigs.

Their oldest player, Andrea "Lucky" Lucchetti, 29, sports a particularly impressive topknot which builds to a delicate comb along his parting.



The first athlete to fail a drugs test at the Barcelona Games was China's Wu Dan, seen diving for the ball during a volleyball game against the Netherlands last Friday. Wu Dan tested positive for the stimulant strychnine and was banned from the Games, said the International Olympic Committee yesterday.

The basic strategy of volleyball is simple. If your opponents manage to get the ball past the blockers at the net, you have three touches to create a killing attack of your own. The first will usually be a defensive scoop or "dig" which guides the ball to the team's setter.

He pushes the ball up in the air, usually to a pre-arranged spot, where one of the big men should be flying in to windmill it down on the other side.

The best attackers have such powerful vertical jumps that they seem to hang in the air, assessing the defence, before battering the ball.

The joy of volleyball is that it is not a contact sport, said Sylvie Bigras, the assistant Canadian coach de mission at the Olympics and a former junior international, as she watched her countrymen pummeled into the plastic matting by the big-hitting Italians 15-11 8-15 15-12 15-7.

It is also "the consummate team sport. A player can't control the ball as it rebounds off his body, and run with it."

Against the US, Italy came out punching. Andrea Zorzi, 2 metres tall and designer-stubbled, circling far off the court to get the best angle of attack for his roundhouse rights. The Italians' other 2-metre man, Andrea Gardini, smashed imperious attacks from centre of the court.

"They're a very physical team. Big strong, good jumpers, hitting the spot out of the ball," said Bob Cvirlik, one of four US team members who play in the Italian league. "Everything is a power game."

By the start of the second set, the Americans were punchy. But in volleyball, where the six men on court must defend as one, move as one and think as one, sudden shifts of mood are common.

"Momentum is everything in volleyball - more than any other sport," said Cvirlik. "It comes in waves."

Simply by hanging on, the US broke what Italian coach Jose Velasco called "the rhythm of our concentration". Somehow the tide had turned. The US fought back to win 9-15 16-14 15-11 15-11 on their sixth match point.

"We rely on defence and slowing the ball rather than stuffing it," said Cvirlik. "The Italians are not used to having the ball come back. The US tactic is to wear them down."

Velasco agreed: "If an opposing defence plays well, we lose our rhythm of concentration. For Italy to win, we had to defend and block as well as attack."

In the quarter-finals today the US play the Unified Team, about whom they are superstitious and suspicious. Italy play the Netherlands.

Each team will keep a wary eye on the other's progress.

OLYMPIC NEWS IN BRIEF

Kenya may pull out of track, field events



Kenya's track and field squad may pull out of the Games if the controversial reinstatement of Moroccan runner Khalid Skah as men's 10,000 metres gold medalist is not overturned.

Kenyan coach de mission Isiah Kiplagat protested to International Amateur Athletic Federation president Primo Nebiolo after Skah was first disqualified in favour of Kenya's Richard Chelimo, then reinstated on appeal.

Asked if Kenya would boycott the rest of the athletics events if they did not get satisfaction, Kiplagat said: "If we feel that we're not getting a fair judgment the possibility would be there, but we're not saying that at the moment."

A Kenyan official said the team might boycott races from 800m up. However, the team's assistant general manager, Aish Jeneby, later indicated that there might not be a boycott. "We Kenyans are fighters. When we lose in one event, we regroup. You watch us tomorrow," he said.

More bronze for Britain

Lawrie Smith salvaged a medal for Britain from an otherwise disastrous yachting campaign by snatching a bronze in the Soling Class.

Skipper Smith, with crewmen Rob Cruickshank and Ossie Stewart, grabbed the verdict in a photo finish with Germany in the deciding race of three.

The British team of Richard Priestman, Steven Hallard and Simon Terry beat France 233-231 to take bronze in the team 70 metres archery.

Spain took the gold by beating Finland by 238 to 236.

UK seventh in team jumping

Britain's John Whitaker on Milton (right) clears a jump in the first round of the equestrian jumping competition.

The Yorkshireman guided his charismatic 14-year-old grey to a clear round and followed this with just four faults in the second round after Milton put a foot in the water jump.

Nick Skelton, on Dollar Girl, was poised for a clear round approaching the last fence on the testing Real Club de Felo course.

But the 12-year-old mare refused twice, so Skelton was eliminated from the first round. Then Tim Grubb, on Denizen, steadied the ship with 8.7 faults.

Whitaker's brother Michael on Monsanto then recorded just four faults before Milton's clear round. For all their efforts, however, Britain could still only finish in a disappointing seventh place. Holland took the gold with 12 faults, Austria collected silver with 16.75 and France the bronze with 24.75.



Barcelona ripple signals love-in

Fans in the main stadium make no distinctions for race, sex or talent, says Peter Berlin

IT IS better than the tedious Mexican wave. It is the Barcelona ripple. When the runners circle the Montjuic track, the crowd applaud as they pass. The athletes' progress is marked by the patter of 120,000 hands rising to a warm crescendo in the final straight.

If there is a Spanish running, the ripple builds to a roar; if it is a Catalan, the stadium goes crazy. The knots of supporters from other nations (notably Japanese, American and British) are a little raucous in support of their boys and girls. Otherwise, this is an equal-opportunity love-in: no distinction for race, sex or athletic ability.

The fans seem to enjoy all the events. They applaud each toss by the hammer throwers and set up rhythmic applause for every triple jumper. They sympathetically lament each no-throw and foul jump. Sometimes, there is even a spontaneous round of applause for no apparent reason.

Today, when the athletics resumes after a one-day break, there should be plenty of rippling. It is the first day of the decathlon, and there will also be finals in both men's and women's 400 metres, the men's 800m, the women's 400m hurdles and the men's discus.

At a reunion of decathletes yesterday, the experts thought Dave Johnson of the US would be given a fight. Daley Thompson said Robert Zmelik of Czechoslovakia and Mike Smith of Canada would run Johnson close, though Johnson was particularly strong in the second-day events.

One of the most striking things about the reunion was

the physical diversity of decathletes. There was the sheer bulk of Bob Matthias (Olympic gold in '48 and '52) and Jurgen Hingsen (silver in '64). There were the tall, but surprisingly skinny, Bill Toomey (gold: '68) and Bruce Jenner (gold: '76). Thompson seemed almost petite.

Afterwards, Frank Zarowski, a broadcaster with NBC, said that the decathlon was the only event "in which the world record had been held by a red man (Jim Thorpe), a yellow man (Yang Chuan-Kwang), a black man and a white man."

If you are sprawling at home on your sofa, a Barcelona ripple or a Mexican wave is not much fun. So here is another game all the fans at Montjuic are playing: You can join in. It is called Spot the Druggie.

This is a murky world. Gwen Torrence, the US sprinter, has released a statement clarifying remarks she reportedly made after finishing out of the medals in the 100m final. She had not said Juliet Cuthbert of Jamaica, the silver medalist, had taken drugs, she insisted.

Torrence said: "I told Cuthbert I did not think she was taking drugs. I did tell her there were three people in the final who were competing unfairly, but I will not say names."

How could she tell? Assuming that her rivals were not shooting up in the dressing room, Torrence would have to go by the same clues apparent to any TV viewer.

Today, the female sprinters are back in action in the 200m semi-finals, so here are the things to notice:

Listen for unusually deep voices: keep an ear cocked for women who give press conferences that sound like Louis Armstrong concerts. One visible side-effect of growth hormone is growth of the chin and, some say, of the nose. Steroids cause facial hair, acne and large, bulging muscles whose definition is increased by an almost complete absence of body fat.

In women's sprinting, then, cellulite round the thighs is a thing of beauty.



Lost and found: Morocco's Khalid Skah was reinstated yesterday as winner of the men's 10,000 metres after initially losing his medal because of a lapped team-mate's behaviour during the race.

Kenya's Richard Chelimo was demoted back to second.

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BUSINESS AND THE ENVIRONMENT

Michael Skapinker reports on a Majorcan plan to reap the benefits of mass tourism without sacrificing the island's natural beauty

Sun, sea and sewage



Magaluf's makeover: cleaning up the resort has cost the Spanish government nearly £8m

In choppy seas off the south-east coast of Majorca, our captain, Juan Diaz, spots our catch.

Floating half-submerged is a plastic shopping bag, filled with rubbish and tied by the handles. Our small craft, one of 10 operated by the Majorcan island council, slowly circles the offending object while Juane Ferrer, the second crew member, scoops it out with his black fishing net.

Judging by the day's haul - two refuse bags filled with mineral water containers, wine bottles and bits of plastic - clearing the sea of rubbish is a labour-intensive business. But this marine litter patrol, which operates throughout the summer, is only one of a slew of Majorcan initiatives aimed at demonstrating that mass tourism and environmental protection are not contradictory objectives.

Majorca's environmental projects have attracted the interest of the international Federation of Tour Operators (FTO) which believes the Spanish island is developing expertise which could be put to work in resorts throughout the world.

The European Community is poised to give Majorca the financial backing to pull its various initiatives into a coherent framework which could be applied wherever airlines disgorge their sun or snow-seeking charges.

Majorca, which attracts 5m visitors a year, is ideally placed to teach the rest of the world about the benefits and drawbacks of mass tourism, if only because it has experienced such a surfeit of both.

Its tourist industry, which is more than 30 years old, has brought the islanders a standard of living that their poverty-stricken forebears could only have achieved by emigrating - something they once did in large numbers.

For the drawbacks, one has only to listen to local politicians describing the long struggle to restore the good name of the Majorcan seaside town of Magaluf after years of the luridly-reported antics of young, impecunious lager louts.

That Majorca needs tourists is something no one on the island doubts, not even the local environmental activists who criticise the island's projects as too timid to overcome decades of uncontrolled development.

Eduardo Gamero is director general of tourism for the Balearics, made up of Majorca and the neighbouring, smaller islands of Minorca, Ibiza and Formentera. Born in the Majorcan capital of Palma 50 years ago, Gamero has fond memories of the days before the tourists came.

"I remember tramways, a city where everyone knew everyone else and where you could leave your key in the front door. We lost that with

the tourist development. Can you leave your key in your front door in Palma today? Absolutely not."

In the early 1950s, the populations of Palma and of Majorca were shrinking. The capital had a population of 150,000 and the island was home to 300,000 people. Today, the island has a population of 500,000, of whom 320,000 live in Palma, a sprawling, bustling, but not unattractive city dominated by a cathedral. The island, away from the main tourist towns, boasts mountains, coastline and hilltop villages to compare with anything Europe has to offer. The islanders are among the richest people in Spain.

Tourism has brought them their wealth and nothing else could sustain it, Gamero says. The island's agriculture is too small and fragmented to feed the local population. Almost all Majorca's food is imported. As for other non-tourist options, Gamero says that "it would be crazy to think that an island like Majorca could establish heavy

industry. We live on tourism. Our only possible future is tourism." The question for the island is what sort of tourism? Not, all sides agree, the low-cost package tourism that has been and, to a large extent still is, the island's speciality.

First, because Majorca finds it increasingly difficult to compete on price against resorts in countries like Turkey. And second because young alcohol-soaked tourists drive away the respectable families who spend more money and do not rip off newly-planted trees. As Majorca has found, however, an island that plays host to the London Pub, the Mucky Duck and Liner's Bar finds it difficult to move up-market. All three establishments are in Magaluf, which comes under the jurisdiction of the socialist-controlled Calvia town council, where Antonio Palliser serves as councillor for tourism and security.

Magaluf's nadir, he says, was the mid-to-late 1980s, when summer trouble in the streets was at its

height. "Our customers were of the lowest sort. Magaluf had become vulgar. We started to think, to analyse. What could we do to change the image of this resort?"

Part of the answer was to change the environment in the hope that tourists' behaviour would show a corresponding improvement, allowing family visitors to return. The first problem was that tourists could wander through Magaluf without being aware of the sea. Wide, paved pedestrian paths were built, making the sea visible from central parts of the town. The council has also built a sea-front promenade, lined with 450 fully-grown palm trees imported from Egypt.

The roads have been narrowed to discourage traffic from coming into the town and the pavements have been widened. Large concrete balls have been fixed to the pavements to stop cars from parking there. There are fountains, an air-conditioned first-aid post on the beach and new litter bins everywhere. The project

has cost Pta 1.4bn (£7.7m), paid for by the central government in Madrid, the Balearic islands administration and local taxes.

Has it all worked? "Has people's behaviour improved?" Palliser asks. "I have to be honest. Not as much as I hoped." In the local bars, they are more sanguine. The Royal Plaza, formerly the Britannia, has matched the public expenditure with investments of its own, producing a plush pink interior. Faco Heredia, a barman there for 10 years, believes Magaluf is improving. "But it will take time," he says.

The conservative-controlled Balearic islands government has acted to limit development on Majorca to ensure that it does not lose its remaining natural attractions. A law passed last year declared 31 per cent of the island protected zones, restricting the building of new tourist facilities. Gamero calls it "the most protectionist law in Europe".

All of this is very interesting, says Miguel Angel March, but much of the damage has already been done. Angel is secretary of the Grupo de Ornithologia Balear (GOB), founded in 1973 to protect local bird life and now an organisation which campaigns on environmental issues of all sorts.

As important as tourism is, he says, it is dangerous to depend on only one industry. Agriculture should not be dismissed out of hand, he argues, when the island has a summer market of more than 5m people.

The GOB has a surprising supporter in Alfred Koch, recently retired director of Munich University's tourism institute and now a consultant. He too believes the island should find other ways of making a living, in addition to its main industry of tourism.

Koch heads a team which will take Majorca's projects a step further. IFTO has asked the Munich team to interview tourists and local people to assess their views of the island's tourism and its effect on the environment.

IFTO has been told that the EC is prepared to support Majorca's environment projects with a grant of Ecu450,000 (£220,000) although it has yet to receive written confirmation. IFTO plans to use the experience gained in Majorca to upgrade the tourist industry on the Greek island of Rhodes and in Ireland.

Koch is impressed with what Majorca has done so far, but his long experience of the industry has instilled a certain caution when it comes to attracting higher-spending tourists to a resort and pestering more of them to come out of the high season. "When I started in tourism 40 years ago," he says, "I was warned that I would work on these problems until I had moss on my back."

Fuel cells' chance to take charge

By Hilary de Boer

The battle by the London Regeneration Consortium to gain planning permission for its redevelopment project at London's King's Cross could hold an unexpected silver lining for the environment. The long delay means alternative energy technologies will be available for incorporation when the project gets under way.

LRC is looking at fuel cell technology to provide at least some of its projected power needs of about 80MW. Fuel cells would be suited to running its articulated bus network, and possibly even provide some of the buildings' electricity, said Hugh Delap, LRC infrastructure manager. "It can be cheaper.

for use in fuel cells could itself be derived from renewable energy sources, like landfill gases.

Finally, fuel cells can be sited within cities and near load centres, reducing the need for electricity transmission and distribution equipment, which are criticised for health concerns related to electromagnetic radiation and for marrying the countryside.

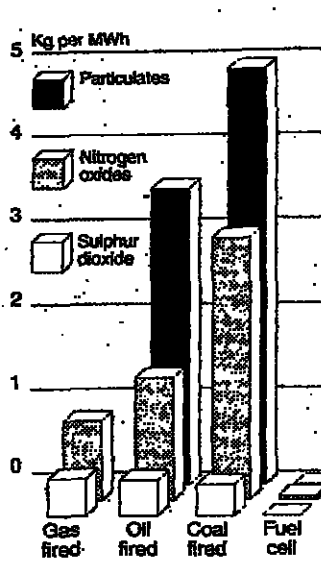
The big drawback with fuel cells - as with many other alternative sources of energy - is the high start-up costs. Generation currently costs about \$2,500 (£1,300) per kilowatt for a 200kW plant, making it too expensive for most applications. The largest plant currently operating is 11MW, supplying electricity for up to 5,000 homes in Tokyo. But production levels would have to approach 200-300MW a year - when the cost would fall to about \$1,500/kW - before they are economically viable, says Arthur D Little.

The World Fuel Cell Council, which is busily promoting the technology, is therefore campaigning for government subsidies such as tax credits to help kick-start the technology. Japan, which imports almost all of its energy resources, has taken the lead with a national goal to install 2,250MW by 2000 and 8,300MW by 2010.

In Britain, the Department of Trade and Industry has set up a programme aimed at accelerating the development of fuel cell systems for early applications in the UK. California, meanwhile, has introduced a requirement that 2 per cent of each motor manufacturer's sales should be zero emission vehicles by 1998, rising to 10 per cent by 2003.

Several companies in the US are developing fuel cell powered vehicles, with Ballard Power Systems, for example, due to demonstrate its hydrogen-operated bus later this year.

Power station emissions



PEOPLE

Woodhead's homecoming to FOX

London FOX, the troubled commodity futures and options exchange, is taking on Robin Woodhead (right) as its new chief executive from October, in succession to Phillip Thorpe, deputy chief executive of the Securities & Futures Association, who had been running the market in a caretaker role since last October.

Michael Jenkins, chief executive of Liffe and chairman of FOX since June, says he is pleased with the quality of candidates applying for the post "bearing in mind it is not the easiest market to develop".

FOX was hit by scandal last year, which cost the jobs of both the then chairman and chief executive, Saxon Tate and Mark Blundell. It has also struggled for years to establish credible markets even in its core soft commodities products such as sugar and coffee.

The appointment is something of a homecoming for

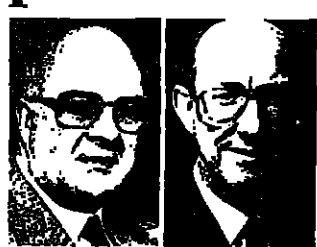


Woodhead, 42, who played a central role in setting up London's oil futures market, the International Petroleum Exchange, from 1980. He was also chairman of IPE's first four years, during which time he was also managing director of Premier Man, a joint venture between Premier Consolidated and ED&F Man. In the early

days the IPE used the facilities of FOX's precursor, the London Commodity Exchange and so Woodhead has worked with a number of staff, some in key positions, who are still at FOX. He then went on to form the National Investment Group, a network of regional stock brokers, which was sold four years later to Capel-Cure Myers Capital Management. A lawyer who spent part of his childhood in Rhodesia, Woodhead has recently been a consultant for Swiss Bank Corporation on southern Africa.

Jenkins, who retires later this year from Liffe after presiding over its first highly successful decade, says that enthusiasm and open-mindedness were two of the prime qualities he had been looking for and found in Woodhead. The latter was yesterday in South Africa and unavailable to comment on his plans to revive FOX.

Counter moves posted



After little more than a year as boss of Parcellforce, 56-year-old Peter Howarth (left) has been brought back to the main business of the Post Office and been put in charge of the Royal Mail, which earns the bulk of the PO's profits.

The return of Howarth, who joined the PO in 1983 and had been Royal Mail's assistant managing director, is the most important of a series of top management changes following 19-year-old Bill Cockburn's appointment as the PO's next chief executive. It is also a further sign that the sale of the loss-making Parcellforce parcels business is imminent.

John Roberts (right), Cockburn's rival for the chief executive's job, remains managing director of Post Office Counters whose turnover is around a quarter of the size of the Royal Mail.

However, Roberts, 48, is to take on wider responsibilities at group level. He will assist Cockburn on the planned sale of Parcellforce and will help formulate the PO's response to the government's recently announced review of the future of the PO. He will also take over the group responsibilities of Ken Young, the PO deputy chairman, when he retires at the end of this year.

Richard Dykes, a 47-year-old civil servant who joined the PO in 1986 and is currently director of operations of Post Office Counters, becomes acting deputy managing director of that company. He will be responsible for its day-to-day management and will report to Roberts on major issues.

Meanwhile, 43-year-old Malcolm Kitchener, Parcellforce's financial director, seems to have made the right move when he quit Parsons and joined the public sector 18 months ago. He becomes Parcellforce's acting managing director. However, unlike his predecessor he has not been given a seat on the PO board.

FT LAW REPORTS

Digest of Trinity term

In re a company No. 0013734 of 1991 (FT, June 3)

THE REINSURED was in liquidation, having been ordered to be wound up by the Supreme Court of Bermuda, which also approved the manner whereby the valuation of the insurance claims against it had been carried out. The claims had not been settled but were calculated following an actuarial valuation of the underlying contingent claims against the reinsured.

In the present proceedings, the reinsured claimed \$122,244 against the reinsurer company which argued that no liability to pay had arisen and that the petition against it should be struck out because the debt on which it was based was disputed in good faith and on substantial grounds.

Were it a simple matter of construction and the only issue was whether settled (albeit not actually paid) claims fell within the terms of the reinsurance contracts, the present court would have refused to strike out the petition. However, in granting the petition, Mr Roger Kaye QC (sitting as a deputy judge of the division) stated that it was not the only issue in the case.

There were other factors which might have a bearing on the construction of the reinsurance contracts. Those factors raised serious and complex issues which were not appropriate to resolve on an interlocutory motion or on the hearing of a winding-up petition.

The Mercers Co v New Hampshire Insurance Co (FT, June 4)

MERCERS CLAIMED against New Hampshire for monies allegedly due under an advance payment bond of \$4.5m to Rush & Tompkins Ltd in respect of a building contract. Rush & Tompkins had commenced the works although Mercers had given possession of the site four weeks late. Thereafter Rush and Tompkins had gone into receivership and the contract automatically terminated.

At first instance, Mr Justice Phillips held that New Hampshire was under no liability under the bond; dismissed Mercers' claim; and ordered repayment of New Hampshire's interim payment of £1m. Mer-

cers contended that the bond was simply a promise to pay a specific sum on a contingency which had happened and that the document could not be construed as a performance guarantee.

Accepting that argument, the Court of Appeal stated that the plain purpose of the document was to ensure that if Rush & Tompkins did not earn the amount of the advance payment, both Rush & Tompkins and New Hampshire should be jointly and severally liable to Mercers for the balance. Moreover, postponement of the date on which possession of the site had been given by Mercers did not affect New Hampshire's liability.

Regina v Kansal (FT, June 5)

THE COURT of Appeal, in dismissing Mr Kansal's appeal against convictions under the Theft Act 1968 and the Insolvency Act 1986, stated that privilege from self-incrimination was abrogated in bankruptcy proceedings by Rule 6.175 of the Insolvency Rules. The rule provided that "(1) The bankrupt shall answer all such questions as the court may put... (5) The written record may in any proceedings (whether under the Act or otherwise) be used as evidence against the bankrupt...".

Mr Kansal made a statement under the Insolvency Rules which was ruled admissible in his Crown court trial on the theft charges. Under the Theft Act, section 31, a person was not excused on the ground of self-incrimination from answering questions in proceedings for the recovery of property but that no statement made was then admissible in evidence against him. Section 433 of the Insolvency Act, on the other hand, made evidence given under the Insolvency Rules admissible in any proceedings.

The appeal court accepted the contention of the Crown that section 433 was concerned with admissibility of a special class of document derived from an insolvency in "any proceedings" - whether or not under the Insolvency or the Theft Acts. Its terms were clear, unambiguous and unequivocal, and were not subject to any exceptions, so that section 31 of the Theft Act was not capable of protecting the defendant

in such a case.

TOSG Trust Fund Ltd v Girozentrale and Bank der Oesterreichischen Sparkassen Aktiengesellschaft and others (FT, June 10)

THE PLAINTIFF sought a declaration that it was not liable to repay to the defendant banks a bonded sum which had been applied by TOSG in accordance with its powers.

TOSG was a company set up by the Tour Operators Study Group (an association of UK travel and tour operators), the primary purpose of which was to administer bonding arrangements made for the protection of customers in the event of failure. A bond for \$63.2m had been issued by the banks in favour of TOSG, the subject matter of which was the potential failure of ILG Travel Ltd, a TOSG member.

The bonded sum, Mr Justice Hobhouse stated, was not a fund in which the banks had reserved any proprietary right or which was impressed with any trust. On the facts before the court, TOSG was in a position to show that, subject to a small margin, the sum it spent on extra fires functions would fully absorb the sum paid by the banks together with accrued interest. Although TOSG had also spent money ultra vires there was no automatic liability accrued to make an equivalent payment to the banks. That argument would depend on an earmarked fund which was not applicable in the present case.

Barclays Bank plc v O'Brien (FT, June 11)

THE ISSUE in the instant case had arisen when a married woman pledged the matrimonial home as a second charge to the bank for her husband's debts, after having failed to take independent advice and not having the transaction fully explained to her.

Allowing an appeal against an order that the bank could enforce the mortgage document, the Court of Appeal stated that in certain cases, equity would hold the security given by the surety to be unenforceable by the creditor if: (1) the relationship between the debtor and the surety and the consequent likelihood of influence and reliance was known to the creditor; (2) the surety's

consent to the transaction was procured by undue influence or material misrepresentation on the debtor's part, and the surety lacked adequate understanding of the nature and effect of the transaction; or (3) the creditor failed to take reasonable steps to try and ensure that the surety entered into the transaction with adequate understanding of its nature and effect and that the surety's consent was true and informed. In particular, equity was still concerned to protect the position of married women and to treat them differently from other third parties who provided security for the debts of others.

MS Fashions Ltd and others v Bank of Credit and Commerce International SA (FT, June 12)

SINCE 1980 the two companies had been customers of BCCI and had borrowed and overdraft facilities. Each company had given a debenture to BCCI, and cross-guaranteed the other's debt. In addition, security for the companies' debts was given by S and his brother by a charge of property, so that the effect was to render each of the four parties as included within the relationship of "the principal debtor" so that all were jointly liable.

On its winding-up BCCI claimed a comprehensive demand of \$500,000 against each of the potential debtors for the total indebtedness owed by the two companies. There was no defence available save under rule 4.90 of the Insolvency Rules 1986 which provided that where, before a company went into liquidation, there had been mutual debt between it and a creditor claiming to prove in the liquidation, "the sums due from one party shall be set off against the sums due from the other". S had some \$300,000 on deposit with BCCI.

The Court of Appeal stated that rule 4.90 could not properly operate unless it operated in reduction of the debt owing to BCCI at date of liquidation. All that was left for BCCI, therefore, whether against the principal debtors or the sureties, was the balance of the original debt, viz. a sum of \$200,000.

Aviva Golden

The United Mexican States Floating Rate

Privatization Notes Due 2001

The applicable rate of interest for the period August 3, 1992, through and including November 1, 1992, to be paid on November 2, 1992, a period of 91 days, is 4.25%. This rate is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (BAISRR) as quoted on the Dow Jones/Teleterm Monitor as "Teleterm Screen No. 3770" as at 11:00 A.M. (London Time) on July 30, 1992.

The above rate equates to an interest payment of USD 10,713.11 per USD 1,000.00 in principal amount of Notes.



Banco Nacional de Mexico, NY

July 30, 1992

Summer Festivals/Max Loppert

Vadstena

VADSTENA IS a tiny town on the eastern shore of Lake Vättern in the middle of southern Sweden. It is historically rich - St Bridget lived and died there (her relics are in the cathedral), and the magnificent castle built by Gustav Vasa in the 16th century houses some of the country's most important archives. It is important, peaceful, ravishingly beautiful.

Since a room in Vasa's castle was the scene of some of the earliest opera performances ever put on in Sweden, the town's connections with the medium are historically intriguing. But recently, they have been revived with peculiar and notable success: the International Vadstena Academy, founded in 1984 by Ingrid Maria Rappe, the singing teacher, has developed an international reputation as one of the most valuable of all summer-school forcing-grounds for young operatic talent.

The roll-call of Swedish singers who have passed through the way to wider fame is itself an impressive testimonial (Britt-Marie Aruhn, Helena Döge, Marianne Häggander, Anita Solh, Anne Sofie von Otter, Thomas Sunnegårdh, Thomas Lander, Hillevi Martinpelto etc.). The producer Goran Järfvält took early steps here; Arnold Ostman, Sweden's leading "period" practitioner, served as artistic director from 1989 to 1992.

The Academy is a finishing school (lessons and master-classes forming the backbone of the pedagogical schedule) but by no means just that: as

the programme book proudly proclaims, it was set up "for the purpose of studying and performing both newly composed music dramas and early operas". Most years there is a world premiere; every year there is a rarity from the byways of the Baroque, Classical or Romantic repertory researched with care and often edited "in house".

The mixture of new and old theory and practice, past and present is obviously an unending source of stimulus. Standards are remarkably high. Seeing that Rodney Milnes and Paul Driver have previously proclaimed on this page the virtues and pleasures of the Vadstena experience, I must not build up my visit there last weekend into a feat of uncharted exploration, or pretend that the excellence of the single performance I encountered came without warning.

This year's schedule consists of a revival of last year's Vadstena premiere, *Thine is the Kingdom* by Jonas Forsell, and two *Pempest* operas (both given in Swedish translation): *Prospero's Dream*, a new pastiche using ancient numbers by Purcell, and *Die Geisterinsel*, J. F. Reichardt's *Stiggelet* of 1798. I saw the Reichardt, and confidently count it one of the most arresting evenings on my 1992 operatic calendar.

As a re-discovery it was revelatory (not least because in the standard textbooks *Die Geisterinsel* is treated to the most cursory dismissal), as a production played by a student orchestra and sung by several first-timers on stage it was astonishing - physically free

and agile, joyfully fresh and imaginative, with a spirit-lifting sense of dramatic and musical wonder.

Götter's libretto for *Die Geisterinsel* was admired by Goethe (who had earlier collaborated with Reichardt on *Claudine von Villa Bella*) but reputedly turned down by Mozart. Shakespeare is only a base; the narrative, which includes non-singing parts for Syracus and the spirit Maja, is at once simplified and enriched with the supernatural.

Reichardt's three acts provides a vital missing link between *The Magic Flute* and the Romantic energies and excitements of Cherubini, Beethoven, Schubert and Weber. For a while it is the similarities, influences, period traits that hold the attention; then the sturdy individuality of Reichardt's stagecraft makes its mark. Up to now Reichardt's name has cropped up as a composer of Lieder; his ability to drop delightful song-phrases of folk-like innocence into long, grandly constructed act-finales (very well sustained by the conductor B. Tommy Andersson) was therefore no surprise.

In a room entirely without stage platform or machinery, Asa Melldahl's staging had of necessity to create magic through the simplest of devices - smoke, lights, comic tricks of burlesque lineage (and sometimes hilarious vulgarity: Caliban, a flasher in a dirty mac, had us all in fits). The flavour of *Peter Pan* that she had infused into the text drew a charm out of the piece that chimed ideally well with the



Staffan Galli (Fernando) and Karin Ingehäck (Miranda) in "Die Geisterinsel"

capacities of the young cast.

Among them I predict a particularly bright future for the smooth, wide-ranging bass-baritone Lars Arvidsson (Caliban), the sweet yet glittering lyric soprano Karin Ingehäck (Miranda), the personable and hugely promising tenor Staffan Galli (Fernando), and the two high sopranos Kristin Aabel (Ariel on a bicycle) and Annika Hassel (Fabio, Fernando's page). Spoken dialogue was here no trial-by-recitation, as young English performers too often allow it to be. The fluency of the performance made the three acts and three hours whizz by.

Sweden's most famous summer festival, at the Drottningholm Court Theatre outside Stockholm, has reached a turning-point. Arnold Ostman's decade as director has just ended; next year Elisabeth Söderström takes over. Rumours of change - notably the non-renewal of the "period" instrumentalists' contracts - are already flying about. Meanwhile, Ostman's final show in this most glorious and perfectly preserved of 18th century theatres was a typical piece of adventurousness: Gluck's *Orfeo* in its 1769 Parma edition, never before revived.

The crucial point about this version is that, whereas the

hero of 1762 original was an alto castrato, and that of the 1774 Paris re-working a tenor, Gluck's *Orfeo* was a soprano castrato. Moved up to soprano pitch, his great, grief-stricken outpourings take on an entirely different character - they convey a new vulnerability, are charged with a new intensity. The performance itself, weakly cast, brainlessly staged (with unwanted set-changes added to almost every scene) and conducted by Ostman in rather fancy, soft-grained fashion, was disappointing. But the value of the re-discovery has nevertheless been proved beyond argument.

Ballet/Clement Crisp

Coppélia

WE LOVE *Coppélia* for the marvel of Delibes' score; for the sweetness of the pastoral world it evokes; for a cunning mixture of classic solos with dashing folk dance; above all, for a sense of happy rightness - as in the best folk tales - to its story. And, whatever else may change, *Coppélia* proposes certain rules of dance behaviour that have a joyous certainty. Some ballet companies ignore it - to their own, and their audiences' loss. Some ballerinas look down on it, as not offering sufficient challenge to whatever gifts they may believe they possess.

Wise artists, great artists - like the glorious Alexandra Danilova - have known that *Coppélia* is a marvellous role, as rewarding as it is taxing in style and step. We love *Coppélia*, too, because of its mysteries. Under its lightness and peasant merriment, something serious is happening. Indeed, two very serious themes are the armature of its action: we see a girl and a boy learning about true love and learning to love each other; and we see real tragedy in the failure of Coppélius' wild alchemical dreams of creating life.

English National Ballet is playing *Coppélia* this week on the South Bank, Ronald Hynd, as producer, has loved the ballet from his school days. Like him, I fell under the spell of Pamela May, that most adorable and elegant Swanilda, and of Fonteyn, then of Nerina and Beriosova, and of Annette Page and Maryon Lane, and how many other apprentice ballerinas whose debuts were at one time so delightful a feature of Saturday matinees.

Hynd's staging is rooted in our best *Coppélia*, and therein is its security. Yet I do not think that ENB's cast on Monday night were as convinced as I was of the importance of the task on hand. The national dances lacked brio, and for anyone reared on the score as it sounded when Constant Lambert used to treasure every phrase, and spark every rhythm into life, the orchestral performance was sober-sided. Renata Calderini was a Swanilda more conscientious than witty, but Jose Manuel Carreno has the charm - and the luscious physical prowess - that are exactly right for Frantz. I liked, too, Philippa Arona's Coppélius, who may doddle, but whose sincerity as the supposed doll comes to life was as genuinely moving as Delibes' score at this most touching moment in the ballet.

There is an exhibition on the South Bank which ballet-lovers should not miss. Leslie Hurry's designs for Robert Helpmann's 1942 *Hamlet* remain among the greatest decorations ever made for ballet in this country. All the costume designs - thrilling in their imaginative intensity as in their command of detail - are on view in the Olivier foyer of the Royal National Theatre until September 6. The very life of the ballet, as of Hurry's astonishing sensibility to its drama, blazes with undiminished force. It is a tremendous display of design mastery - and was Hurry's first commission for the theatre.

English National Ballet presents *Coppélia* all this week at the Royal Festival Hall.

Television/Patricia Morison

A mixed crop from the garden gurus

GARDENING on TV makes perfect sense on a winter's night, but what about summer evenings, when most gardeners want to be outside just as long as the light holds? Pricking out, dead-heading, taking cuttings, catching the groundsel before it seeds itself - there is a terrifying amount to do. Or you may relent and simply sit, sniffing the phloxes as you plan the autumn bulb-order.

Measured against pleasure of such a high order, any summertime gardening programme has to offer its audience something quite special. At least, it must do it in a lure the keen, critically-minded gardener indoors. There are, of course, plenty of couch-potato viewers who switch to gardening simply because it offers pretty colours and a soothing break from the sweaty exertions of the Olympics.

I have been inspecting this summer's crop of horticultural programmes, and find it extremely mixed. One hardy perennial has been with us for almost 20 years and yet I had never watched it before. *Gardener's World* (BBC 2, Friday) is magnificent. Presented by Geoffrey Hamilton and Liz Rigby, it is completely *straight*, without any of the tiresome gimmickry programme-makers so often use to jazz up what

they imagine might otherwise be tediously or frighteningly technical. Expert talks to expert and to us in a natural, unforced way. The audience is a large one, fluctuating between 3m and more than over 4m, and the assumption is that it consists of keen gardeners who thirst to do it better.

Far from being fazed by Latin names, they will have a spot of advice from Roy, but well and interestingly gardened all the same.

The format works beautifully because, as every gardener knows, people love to chat about what they grow. "My garden means everything to me", confessed one lady in a windswept Shropshire garden which was not my taste at all but was thoroughly admirable in its own way. Compared with *Gardener's World*, this more democratic format is more likely to unearth gardeners with idiosyncratic ideas, in particular splendid money-saving dodges dreamed up by conscientious OAPs.

The two-part, *Le Manoir* (C4), has to be one of the most famous programmes of the year. Recession has clobbered garden designers and not before time given how perfectly awful your run-of-the-mill designer is. So garden designer Alan Mason

new run on August 28. Some 3m watched it last year, and there is an actual club with 8,000 members and a newsletter. Principal presenter is Roy Lancaster, the distinguished horticulturalist and plant-collector, and each programme takes one region and focuses on a varied selection of club-members' gardens - problematic gardens, perhaps, needing a spot of advice from Roy, but well and interestingly gardened all the same.

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The two-part, *Le Manoir* (C4), has to be one of the most famous programmes of the year. Recession has clobbered garden designers and not before time given how perfectly awful your run-of-the-mill designer is. So garden designer Alan Mason



At home in the wilderness: Roy Lancaster in "The World in a Garden", C4

must have been unable to believe his luck when someone decided it was worth making a film of how he "created an English garden" at the medieval manor-house plus eight acre garden he bought in Brittany for £100,000.

Six months was all it took to create what Alan intended as a shop-window for his talents, the French having recently developed quite a taste for *le jardin anglais*. But the problem was, Alan's garden looked so utterly dismal at the end of this period that one cannot imagine any self-respecting French gardener would cross the road to visit it, except perhaps to jeer.

Of course, the idea was completely misconceived. No garden created from scratch looks like much inside four years, two if you really go for broke with big shrubs and trees.

Alan's trusty student helpers had created the bare bones, with a vast lawn and a lake with bubbling ooze and a large population of frogs. Some nasty colour combinations - lavenders, geums, and red potentillas - showed Alan had achieved instant colour only at the expense of colour sense.

Presumably whoever had this bright idea was no gardener, and was dismayed by the highly unphotogenic result. Why else did programme two shift tack so abruptly, turning into a glorified Breton estate-agent's advertisement to lure ever more garden-designers and restaurateurs to expatriate while there are still barns, railway-stations and schoolrooms crying out to be chintzified - and given English gardens?

However, garden making on TV can be quite interesting, given a spectacular garden and

a sensible time-frame. *The World in a Garden* (C4, Wednesday), is a four-part series recording the National Trust's expensive restoration programme at Biddulph Grange, Staffordshire.

The most monstrous, astonishing mid-Victorian garden to have survived, Biddulph Grange is a fascinating place. Roy Lancaster does a typically good job of presenting the different aspects of this project, historical, botanical, and horticultural. Now and then there is tricky camera work and the music is absurd. One of the better moments showed the Trust's advisers (oddly, everyone involved in the project is male) locked in heated argument over which "authentic" colour to paint the pagoda. I always suspected the business of analysing paint-scrapes was bogus.

his tavern (Royale, 242 West 45th St, 239 6200).

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● **PRAGUE**

A summer season of concerts has been organised in the city's historic buildings and gardens. Tonight's concert in the Wallenstein Garden is given by the Giovanni Virtuosi da Camera, playing works by Dvořák, Suk and Dittersdorf. The Kocian Quartet gives recitals tomorrow in the South Garden of Prague Castle and on Sat in the Lobkovic Palais of Prague Castle. Next Mon: classical guitar recital by Giovanni Grano.

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● **VIENNA**

OPERA

The Kammeroper presents its production of Don Giovanni every Wed, Fri and Sat till Aug 15 in the Imperial Gardens of Schönbrunn Palace, with a cast headed by Danish baritone Boje Skovhus. Performances begin at 20.30 (512 0100). The new

The Mother Tongue

IN THE geography of London theatre, there is an outer triangle of Richmond, Islington and Greenwich, visits to any of which seldom let you down completely. In a decentralised London, these are the places where the best theatre would lie, and sometimes does. But we are not quite there yet, as the new production at Greenwich shows.

The Mother Tongue is written by Alan Franks, a journalist on *The Times* who already has several plays beneath his belt and whose rating is high enough to have secured Prunella Scales for the main part. For about an hour one was inclined to give the piece the benefit of the doubt, and not only because of the slightly scatty and starchy characteristic performance by Ms Scales.

Franks has good theme: the relationship between a mother who thinks she knows best and a daughter who thinks that she knows better, yet can never get her mother out of her hair. There are other family skeletons in the cupboard, and the bedroom.

The play starts as comedy. Here is that affection of modern youth - never speaking properly if it is possible to avoid it. Ms Scales, as mother and grandmother, speaks immaculately, as she always does: "tea, scones" and what sounds like "sex", but turns out to be "second helpings. Of the trend to let it all hang out, she observes: "Once it has all come out, it can be so very, very difficult to put it back again." The first half of

The Mother Tongue is rather a witty play about the changing use of language.

The second half is darker and full of recriminations. The family has a history of steaming open each other's letters. There has been infidelity and kinship all round. As a child, daughter Harriet looked through the keyhole at her mother's performance in the bedroom. The widowed mother may have burned her own house in Kensington to collect the insurance money, only to find that the policy had not been renewed. In the end, there is no reconciliation between mother and daughter.

It is a pity that such a promising start should degenerate into such melodrama. The play contains lots of good lines and social observation, but becomes stuck between stage comedy and television soap. Gwen Taylor begins as an excellent Harriet, yet is hardly allowed to develop as a character. The rest of the cast, through no fault of their own, are pretty well stoozes. There is a very detailed set, designed by Simon Higglet, of the house where Harriet lives, but its function is more to fill up the stage than to add to the play. In short, this is not quite the tops, but it is useful to have Greenwich to try it out and to draw such a cast. It is worth seeing, but not crossing London for. Direction is by Richard Cottrell.

Greenwich Theatre
081-858-7755.

Malcolm Rutherford

INTERNATIONAL ARTS GUIDE

ATHENS

ATHENS FESTIVAL
Euripides' *The Trojan Women* can be seen at the Odeon of Herodes Atticus on Fri and Sat in a production by the National Theatre of Greece. Next week: Shakespeare's *Othello* (322 1459)

EPIDAUROS FESTIVAL

The annual festival of ancient drama in the 14,000-seat amphitheatre at Epidaurus has performances of plays by Sophocles, Euripides, Aeschylus and Aristophanes on most weekends throughout the summer. This week's performances (Fri and Sat) feature Aeschylus' *Prometheus Bound*, in a production by Amphitheatre Spyros Evangelatos. Next week: Aristophanes' *The Frogs*. Performances begin at 21.00.

Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of

Epidaurus every Thurs, Fri and Sat (0753-22006)

FRANKFURT

FRANKFURT FESTIVAL
The theme of this year's festival at the Alte Oper is *Falling Frontiers* - Frontiers in Line. The festival opens on Aug 15 with the first of two concert performances of *La fanciulla del West*, with Gwyneth Jones. Helmut Rilling conducts Handel's oratorio *Saul* on Aug 18, and Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Mahler's Second Symphony (Aug 20) and a concert performance of Porgy and Bess (Aug 21). Karlheinz Stockhausen directs the Ensemble Modern in a series of concerts of his own music, and there will also be a John Cage retrospective. Other visitors include Alfred Brendel, Krzysztof Penderecki, the Cleveland Quartet, the Dresden Staatskapelle with Sinopoli, the Vienna Philharmonic, London Symphony and Bolshoy Theatre orchestras. The festival ends on Sep 27 (1340 400)

LONDON

DANCE
Covent Garden 19.30 Natalia Makarova's Royal Ballet production of *La Bayadère*, with Viviana Durante (also Fri with Fiona Chadwick). Tomorrow and Sat: Kenneth MacMillan's production of *Romeo and Juliet* (071-240 1068)
Royal Festival Hall 19.30 Ronald Hynd's English National Ballet

production of *Coppélia*, daily till Sat. Next week: *Romeo and Juliet* choreographed by Frederick Ashton. Aug 17-20: tribute to Fokine (071-928 8800)

MUSIC
Barbican 19.30 Arturo Sandoval plays classical trumpet concertos with the London Symphony Orchestra in the first half, before switching styles and joining his own band for virtuoso jazz in the second half. Tomorrow: Stéphane Grappelli. Fri: Barbara Cook in concert. Sat and Sun: highlights from West Side Story (071-638 8891)
Royal Albert Hall 19.00 Jerzy Maksymiuk conducts the BBC Scottish Symphony Orchestra in symphonies by Haydn and Tchaikovsky, plus Stravinsky's Violin Concerto with Leonidas Kavakos (Maksymiuk conducts an alternative programme tomorrow). At 22.00, Tamas Vassary directs theournemouth Sinfonietta in a 75-minute late-evening concert of music by Mozart, Chopin, Kodaly and Honegger (071-823 9988)

NEW YORK

MUSIC
Avery Fisher Hall 20.00 Neeme Järvi conducts Mostly Mozart Festival Orchestra, with soloists Augustin Dumay and Marie Joao Pires. Tomorrow: I Musici de Montreal play Mozart and Boccherini. Fri and Sat: Alicia de Larrocha plays Mozart's Piano Concerto No 22. Mon: Beaux Arts Trio. Next Tues and Wed: Emanuel Ax plays Mozart (875 5030). Next week in Alice Tully

Hall: concert performances of Mozart's *Mitridate*, La finta semplice and Il re pastore (CenterCharge 721 6500)
Alice Tully Hall 20.00 Blue Clarinet Stomp: the music of Morton and Dods. An evening of classical jazz with Wynton Marsalis, Todd Williams and others. Tomorrow: Duke Ellington and the Ladies. Fri: an evening of jazz and Tap. Sat: an evening with McCoy Tyner (CenterCharge 721 6500)
New York State Theater 20.00 City Opera production of Nash, Schmidt and Jones' musical 110 in the Shade, also Sat.
Tomorrow: La bohème. Fri: Carmen. Next Tues: Rigoletto (870 5570)

THEATRE

● The Real Inspector Hound and The Fifteen Minute Hamlet Roundabout Theatre Company presents a double bill of comedies by Tom Stoppard. Simon Jones and David Healy star in both (Criterion Center, Broadway at 45th St, 869 8400).
● Red Diaper Baby: Josh Kornbluth's one-man show (Actors' Playhouse, 100 Seventh Ave, 691 6226).
● Jake's Women: Alan Alda stars in Neil Simon's play about an ageing writer trying to come to terms with the women in his life, past and present (Neil Simon, 250 West 52nd St, 307 4100).
● Conversations with My Father: Herb Gardner's bittersweet memory play about a Lower East Side bar-keeper, his two sons and the patrons of

his tavern (Royale, 242 West 45th St, 239 6200).

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season at the Vienna State Opera begins on Sep 1 (5131 513)

CONCERTS

Trio Fontenay plays works by Haydn, Fauré and Schumann tonight at 20.00 at Schönbrunn. Tomorrow in the Konzerthaus: Katia Ricciarelli and Paata Burchuladze sing Italian opera arias with the Budapest Philharmonic.
Fri at Schönbrunn: Artis Quartet plays works by Mozart, Ravel and Smetana. Sat in Arkadenhof: Vienna Sinfonietta plays works by Suppé and the Strauss family. Sun in Konzerthaus: Michael Gleien conducts Mahler (Wiener Musiksommer 4000 8410)

ZURICH

KYBURGLADE
A four-day festival of chamber music opens tomorrow at Schloss Kyburg near Winterthur, focusing on music composed by Beethoven, Schubert and Mendelssohn in the years 1824-9. Tomorrow's opening programme is played by Heinrich Schiff and the Hagen Quartet. On Fri, violist Wendy Champney joins the Vogler Quartet. On Sat in the Stadthausaal Winterthur, baritone Wolfgang Holzmair sings Lieder in a programme also featuring the Carmina Quartet. There is a Sun morning matinee of trios in the Stadthausaal, and an evening performance in the Schlosshof by the Carmina Quartet and clarinetist Paul Meyer (Booking through Musikhaus Jecklin in Zurich, tel 261 7733)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CHN 2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel 0630-0650 (Mon) FT East Europe Report - weekly in-depth analysis from FTV

2130-2200 (Tues) Media Europe - business

2130-2200 (Wed) FT Business Weekly - global business report with James Gellard

0630-0900 (Thurs) Media Europe Europe Report

0830-0900 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0630-0900 (Fri) FT Business Weekly

SATURDAY
CHN 0900-0930 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

Super Channel 1930-2000 FT Eastern Europe Report

SUNDAY
CNN 1200-1100, 1800-1830 World Business This Week

Super Channel 1800-1830 FT Business Weekly
Sky News 1300-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday August 5 1992

Peace-making at the UN

SOMETHING has gone badly wrong at the United Nations. Just when it ought to be more capable of concerted action to make and keep the peace than ever before, the organisation presents a sorry spectacle: wracked by petty squabbling, starved of funds, and confused about priorities.

Mr Boutros Boutros Ghali, the secretary-general, accuses western members of the security council of hypocrisy, parsimony and worse; western governments respond with leaks aimed at undermining him. The row could seriously debilitate the body that was supposed to have found new vigour and unity after the Cold War.

Mr Boutros Ghali's frustration – however undiplomatically expressed – is understandable. He is being criticised by Security Council members for poorly handling a predicament that is not his creation but theirs. It is, after all, largely at the behest of western governments that the UN is being asked to confront an expanding range of tasks; the same western governments are simultaneously refusing to give the organisation the requisite resources or political backing. Instead of trying to shoot the messenger, they should remind themselves of the solemn commitments they made only six months ago at UN headquarters.

At the suggestion of Mr John Major, the UK prime minister, 15 world leaders gathered for the first Security Council summit. They renewed their pledge to respect and implement the principles of the UN Charter. And they asked Mr Boutros Ghali to report on how the organisation's role in preventing and ending conflicts could be enhanced.

'Peace agenda'

The result, produced in June, was "an agenda for peace" – an ambitious document calling for an intensification of preventive diplomacy; the deployment of peace-keeping forces to prevent potential inter- or intra-state conflicts; the use of so-called "peace-enforcement units" when conflicts occur; and the creation of a rapid reaction force of troops from member states on which the secretary-general could call at short notice.

The world's latest convulsions have underlined the need for

A surfeit of quick fixes

WITH THE British economy in an increasingly desperate state, the government finds itself besieged by interest groups with handy nostrums to help promote economic recovery. Foremost among the would-be helpers are the banks and building societies, which want to see tax relief to alleviate the problems of homeowners whose mortgages exceed the value of their houses. The temptation to deploy taxpayers' money in this particular direction should nonetheless be firmly resisted. There are better ways of dealing with problem at hand.

At first sight the case advanced by the banks and building societies is not wholly implausible. Consumer confidence has proven to be fragile than expected since the election, which in part reflects the continuing decline in house prices and the low volume of housing transactions.

There has been a powerful negative wealth effect since the market peaked in 1989; and the resulting dampener on market expectations has been reinforced by the phenomenon of negative equity, whereby homeowners cannot sell their houses without having to make a repayment to the building societies. The natural way out of this debt trap is to spend less and save more. Yet the last thing the economy needs, now that the household savings ratio is a nearly three times its level when the economy was overheating, is an outbreak of Victorian values.

Lower rates

The obvious response to the debt overhang in housing is a sharp reduction in short-term interest rates. Yet the government's monetary policy is in the hands of the Germans, who can safely be relied on to deliver too little, too late, to satisfy Britain's domestic requirements. In the meantime membership of the exchange rate mechanism has contributed to a continuing decline in the inflation rate. But this merely makes the problem worse, because with nominal interest rates stable and inflation going down, real rates of interest are rising. Over the past two years the real rate on mortgage debt, after allowing for movements in house prices, has been running at a punitive 15-20 per cent.

ambition on this scale. But the UN is sorely over-stretched already, with member states owing it \$1.75bn in overdue contributions for peace-keeping and other activities; it says it will have to cease operations at the end of the year if it does not receive a speedy injection of cash. The lion's share of the arrears is the responsibility of one country: the US.

In a sense, the conflict is a natural outgrowth of this mismatch between ambitions and means. But it also exposes the contradictions between the grandiose rhetoric of the UN Charter and the inevitable national instincts of its signatories. The secretary-general is trying to turn the UN into a real force for peace-keeping and peace-making with a coherent, internationalist agenda; as Mr Boutros Ghali sees it, the leading paymasters are continuing to pursue their own interests and leaving the UN to sweep up the mess.

Humanitarian tragedy

The flashpoint has been the civil war in Bosnia-Herzegovina. When the European Community negotiated what it thought was a ceasefire and then asked the UN to monitor its implementation, Mr Boutros Ghali's patience broke. Regional organisations, he expostulated, should be at the service of the UN, not the other way round. And in any case, why was the world worrying so much about Yugoslavia while ignoring the arguably much worse humanitarian tragedy in Somalia?

In principle, Mr Boutros Ghali is right to press this point. The UN will be irretrievably damaged if it comes to be seen as preoccupied only with the concerns of the rich countries.

At the same time, the secretary-general would stand a better chance of success in his campaign if he adopted a subtler approach. The UN is seldom short of rhetoric and not often over-blessed with forceful diplomatic skills based upon a realistic assessment of what is possible. In the longer term, changes in the composition of the Security Council might make the task of balancing disparate demands on the UN easier. But no secretary-general will escape the need for a close and effective working relationship with the UN's paymasters.

So far, the government's response to this situation has been to hold the line, hoping that eventually something will turn up to spur economic growth. An event which might change everything is a 'no' vote in September's French referendum on Maastricht. That would be a potentially lethal blow to monetary union (among other things); and should the government feel by then that the pursuit of disinflationary gains is outweighed by other factors, it might conceivably be ready to contemplate a different approach.

Housing subsidies

Should the French decline to use the referendum to pass a vote of no confidence in Mr Mitterrand, new housing subsidies might appear more tempting to hard-pressed ministers searching desperately for 'green shoots'. Yet it is hard to see that tax subsidies for loss-making homeowners would do the trick. For a start, tax relief for losses on the sale of the home would not become available in time to help repay the building society in full. Assuming that some further nostrum could be cooked up to bridge this financing gap, there is a risk that the resulting wave of sales might actually cause house prices to fall further – scarcely the way to mitigate the pain in the period before German interest rates finally come down.

The only plausible case for expensive subsidies to loss-making homeowners would arise if the banking system were on the brink of a financial crisis. Yet the banks and building societies are not, as yet, seriously threatened, largely because so much of the losses in housing have been borne by the insurance sector.

If the government is to increase its already huge subsidies to housing, it would do better to acknowledge that the economy is suffering from an excessive level of homeownership and accelerate the revival of the private rented sector. It should eliminate the tax discrimination against private landlords, for example by exempting them from capital gains tax, while directing more money towards badly needed social housing. Creating yet more subsidies for homeowners is an idea whose time should not be allowed to come.

Mr Arkady Volsky, head of the Union of Industrialists and Entrepreneurs, is widely seen as the most powerful man in Russia after President Boris Yeltsin. That position lends an ominous tone to his gloomy assessment of the country's political and economic outlook. "The policy of the reform government is about collapse," he said yesterday. "The attempt to reach the market in one jump is utopia."

Mr Volsky was articulating the complaints of managers who have a finger on the productive pulse of the economy. After a period of growing restlessness, his statement yesterday may mark the beginning of a showdown between the radical reformers and the country's industrialists.

Mr Volsky has stepped up his criticism of the government at a time when a series of interconnected dilemmas are confronting the Russian authorities. The economy continues to weaken and the impoverishment of the Russian people is worsening; the political tone of the country grows harsher; and foreign assistance is becoming more uncertain.

The danger inherent in the current malaise is not so much of total economic collapse or the sudden seizure of state power by reactionaries. Instead, the continuing economic and political setbacks, which have delayed both marketisation and democratisation, threaten regional security and prolong the impoverishment and hopelessness of millions. The stakes are high enough for us to take Russia's dilemmas seriously.

The most urgent issues fall into closely intertwined categories: first, the economy's performance is worse than forecast. Exports, at just over \$12bn for the first five months of the year, are down one-third on the same period last year, against a forecast 20 per cent drop. Imports, at around the same figure, are now heavily skewed towards grain – at the expense of vitally needed parts and equipment.

Oil production, which accounts for 67 per cent of hard currency exports, continues to fall. Output in Russia fell 13 per cent in the first half of this year, and it is unlikely to pick up in the second six months. Last month, a group of government experts predicted that the production level might fall to about 238m tonnes by 1995, less than half of last year's level of 460m tonnes.

The expected level of this year's grain harvest – between 92m and 96m tonnes – is not encouraging. Part of the problem is that collective and state farms, no longer the obedient strapons of the state, are withholding grain, while demanding higher prices. The likely price the government will have to pay is currently estimated at about Rb10,000 a tonne, not too far away from the world market price of Rb15,000 to Rb16,000 a tonne. The poor harvest will mean that the price of a loaf of bread could quadruple. Consumers have already been hit with a tenfold rise in bread prices over the last year. The question is, will the public tolerate another huge price increase? Pessimists believe the answer is no.

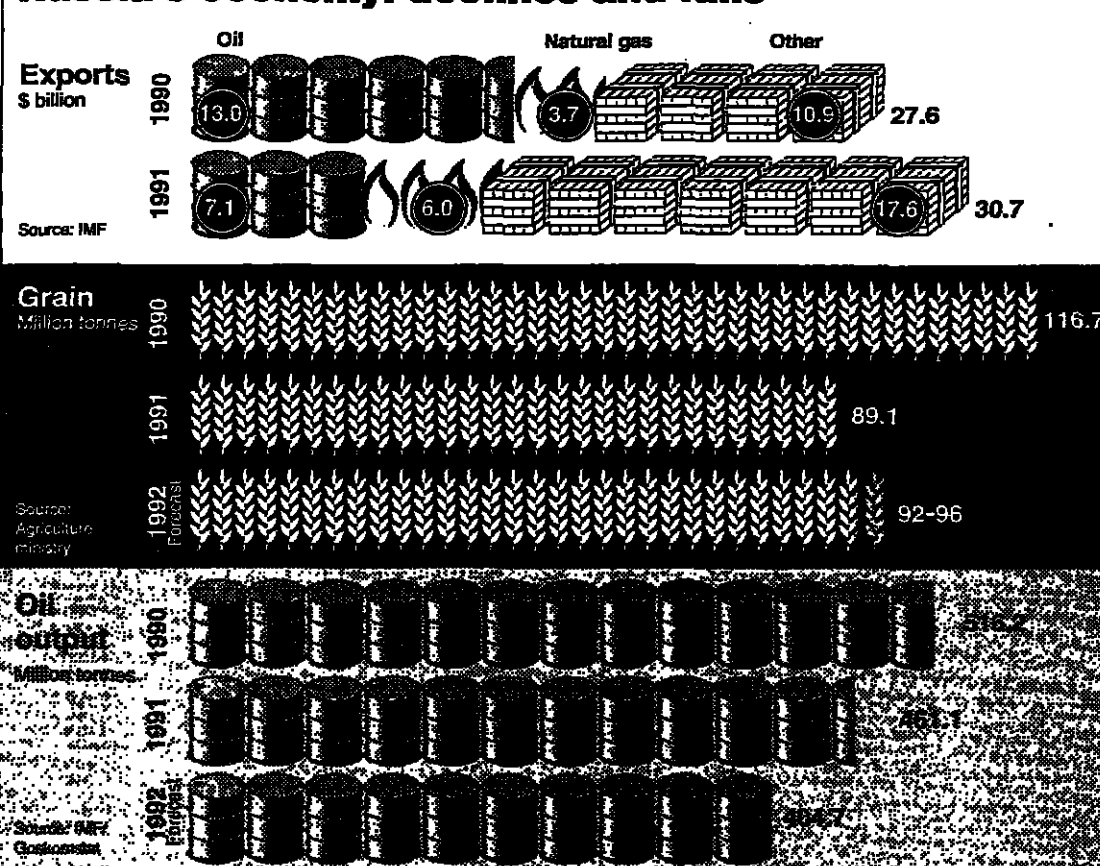
The decline in oil and grain production is a bitter pill for the reform government of Mr Yegor Gaidar, the prime minister who still has "acting" in front of his title. Since the beginning of the year, Mr Gaidar and his colleagues have worked seven days a week, 18 hours a day, to try to pull the economy out of its structural decline.

Mr Gaidar's team has enjoyed

Reformers and industrialists are heading for a showdown over the direction of economic policy, writes John Lloyd

The quagmire of Russian reform

Russia's economy: declines and falls



some success: the liberalisation of most prices; the removal of restrictions on foreign trade, the beginnings of privatisation; the strengthening of the fledgling market processes initiated before their accession to office. Further, a growing core of entrepreneurs and profit-oriented managers has been established. This group may help to sustain the process of economic reform and bring Russia into the mainstream of the world economy.

The Gaidar team has not run into a wall, but it appears to have waded into a marsh, which grows steadily deeper and stickier the more it attempts to plough on.

Put simply, Mr Gaidar's team is being forced to make ever more costly compromises to forces which can be called, conveniently, the "industrial lobby" – that is, the managers and bureaucrats who struggle to keep production going in the face of tight credit, high interest rates and the fraying links between enterprises. Relations between enterprises have deteriorated because of barriers to trade among the former Soviet republics and big drops in orders.

These enterprises have top-level representation in Mr Volsky's Union of Industrialists. Mr Volsky is a clever political operative who has transformed himself from executive in the Soviet Central Commit-

tee under successive general secretaries in the 1980s to the chief representative of big business in the post-Soviet era. Three of his supporters from within industry are now in senior positions in the Russian cabinet, and more are expected to be appointed. With their "industrial experience", they are seen as a counterbalance to the cabinet's "theoreticians", which dominate the Gaidar team.

Mr Volsky has also been the moving force behind the creation of the Civic Union, which groups together his own "Renewal" party, the Democratic Party (the largest in the country in membership) and the Free Russia Party, led by Gen Alexander Rutskoi, the Russian vice-president. This diverse group, which Mr Anatoly Sobchak, the mayor of Saint Petersburg, is joining – is the largest political bloc in the country, and its partners all have different, and perhaps incompatible, agendas. However, it shares a determination to stop radical market reform and replace it with one or other version of managed change, with the management often more evident than the change.

On top of this, a new, hard-edged political mood has become evident

in the country, even among many politicians who were once radical democrats with a Western orientation. This mood was best expressed recently by Mr Sergei Stankevich, a state councillor and presidential adviser, who called a press conference to denounce as a "liberal dream" the rapid transformation to a market economy. Instead he called for a strong central state as the indispensable element of controlled reform and national revival.

Inter-republican relationships have got better, but not much. Ceasefires are holding in two of the "hot spots" – in South Ossetia and (less surely) in the Trans-Dniestr area of Moldova. Earlier this week, Mr Yeltsin agreed to postpone the division of the Black Sea fleet by proposing a joint control with Ukraine for three years.

However, a solution to the question of the removal of Russian troops from the Baltics is still no nearer. In Estonia, Russian and Estonian military exchanged fire at the end of last month in Tallinn, the capital, and relations remain very tense. Difficulties also persist in Russia's relations with Ukraine, despite the agreement on the Black Sea fleet. There has been a sharp drop in Russian supplies to Ukraine, especially of oil. No agreement has been reached on the introduction of the Ukrainian currency,

and sputtering quarrels over control of the Crimea continue. These tensions have further hardened the tone of Russian political life.

To cap this, the role of a so-called shadowy body, the Security Council, is now increasing. It was created by Mr Yeltsin to deal with security issues, and includes in its membership Gen Rutskoi and Mr Gaidar. Under Mr Yuri Skokov, its powerful secretary, the council is extending its range. Recently it sharply criticised Mr Andrei Kozhev, the foreign minister, for warning of a coup. More importantly it has decided to review the progress of privatisation, according to report quoting Gen Rutskoi. This is hardly an issue thought to require a large security input.

The west, with its store of financial assistance and technical aid, has proved less a counterweight to these trends than was expected. Indeed, Russia – and to a lesser extent the other former Soviet republics – often experience the rich foreign powers not as givers of assistance but as demanders of recompense – the repayment of the \$70bn-\$80bn hard currency debt, and from Japan, the return of the four Kurile Islands. In the short term, it is impossible for Russia to satisfy either of these demands. The country does not have the sufficient funds even to pay the interest on its debt. In regard to the disputed islands, political resistance to their return is so great that it would probably be suicidal for the government to do so.

The International Monetary Fund has managed to win approval of \$1bn in aid for Russia, to be formally ratified by its board in the next few days. However the conditions attached to the aid package – a budget deficit no higher than 5 per cent of GNP and a 9 per cent monthly inflation target by the end of the year – are almost certainly unattainable. That means that the more substantial standby agreement with the IMF is in serious doubt.

Even worse, the IMF has not been able to strike up a close relationship with its Russian interlocutors, who see it as nit-picking and unhelpful. The IMF, meanwhile, sees the Russian authorities as untrustworthy and dismissive.

The World Bank, which is developing programmes of technical and agricultural aid, is hampered in its lending by lack of a substantive agreement with the IMF (though a \$1.7bn package will go ahead, with the first tranche to be agreed this week).

Adding to its problems, Russia is no longer a central concern for the west. Japan is frank in its refusal to assist substantially before a deal on the Kuriles. Germany is consumed with the difficulties of integrating the east. Britain, Canada, France and Italy are too weak economically to take a leadership role. The US, the natural leader, has an administration focused on its re-election prospects and a Congress which still has not given authorisation to the main Russian aid package.

It is an overstatement to say that Russia is now on its own, especially since commercial interest continues to grow. However, at such a crucial time, foreign governments appear to be pre-occupied elsewhere.

The anniversary of the August putsch is in three weeks. It will be celebrated with pomp and rhetoric. Beneath the surface, however, the darker forces that were unleashed by the celebrated victory over the reactionaries are becoming increasingly evident.

Bumpy transition for a lord of the City

Bronwen Maddox looks at what life holds for Lord Stevens after his departure from Invesco MIM

When I cross a bridge, I cross it," says Lord Stevens of Ludgate. He is the first to remark that last week's boardroom upheaval at Invesco MIM, the fund management group, brings a radical change in his life.

He will stay at MIM's chairman until next spring but has given up executive responsibilities immediately. In effect this marks the end of his 30-year career in the City. The MIM shake-up – which came as little surprise to its directors – follows a troubled period in which MIM found it hard to attract new UK clients. A widespread perception that Lord Stevens had been close to the late Mr Robert Maxwell did not help. Lord Stevens says he had suggested taking a less prominent role six months earlier, but "this isn't the smooth transition I wish had happened".

"I don't regret leaving the City, though I do regret leaving some of the people," he says. "The City's not fun any more," he adds, blaming recession and regulation – although he hastens to say that he does not disapprove of the increase in regulation that followed the Financial Services Act of 1986.

His departure leaves him, now 56, still chairing two other businesses: United Newspapers, publisher of the Daily Express, and Alexander Proudfoot, one of Europe's leading management consultancies. After years of juggling his three roles – 60 per cent of his time on United News, 30 per cent on MIM and 10 per cent on Proudfoot, he reckons – he now plans to spend more time at his two newer careers. Neither offers a trouble-free ride. Proudfoot may present the most pressing demands. Its shares have

fallen by 40 per cent in the past month following the sudden departure of its chief executive and the downgrading of profits estimates by brokers. Specialising in factory-floor advice on improving production, Proudfoot had appeared to weather recession well until early this year.

Two recent overseas acquisitions – in management training and strategy – will now take the group a step closer to the heartland of rivals such as Bain and McKinsey. To help the integration of the new acquisitions Lord Stevens plans to visit Proudfoot's offices in Brussels.

'Maxwell was shifty, but he never double-crossed me. If he double-crossed others it was because they're wimps'

Stockholm and Palm Beach in the next few months. He says that he loves the business. "A lot of consultants don't get their hands dirty and Proudfoot does."

More widely known is the combative pleasure Lord Stevens takes in chairing United Newspapers. "If I hadn't taken over the newspapers, you'd still be calling me David," he said at one City presentation, leaving at least one hereditary peer and several fund managers spluttering.

A provocative joke, given that the board of United Newspapers has few City fans: the share price of 392p is stubbornly at the same level as five years ago, stalled by the group's high debt and the

slump in advertising. This year circulation and advertising have begun to pick up and industry observers estimate that pre-tax profits will be slightly ahead of last year's £55.2m. But the cash-flow will be eaten up by interest payments on the £400m debt, by capital spending of about £25m a year and by the generous dividend of £42m which has supported the shares.

Lord Stevens says that raising finance to buy small European titles should still be possible, although his ambitions have clearly been scaled down since the group's mid-1980s acquisitions of Fleet Holdings, former Express owner, and Ertel, the financial services group.

If some of the excitement has diminished since then, however, so have the threats; a hostile takeover became less likely two months ago when Mr Conrad Black, proprietor of the Daily Telegraph, sold his 9 per cent stake.

Lord Stevens says he is at United to stay. "I became chairman 11 years ago and at some stage people have to realise I do know something about the business."

One of the few remaining thorns is the question of the depth of his relationship with Maxwell. The latter held stakes in Fleet and Ertel before United Newspapers took over those companies; he also held a stake in Britannia Arrow, the fund management group, before it merged with MIM; and he underwrote £20m of Proudfoot's launch on the stock market.

Critics have suggested that Maxwell's involvement in these deals, which were crucial to the development of Lord Stevens's businesses, points to a close relationship between the two.



Lord Stevens argues that the relationship went no further than conventional business deals, and that it was possible to negotiate with Maxwell in a straightforward manner. "OK, Maxwell was shifty, but he never double-crossed me. If he double-crossed others it was because they're wimps. I liked him."

He is adamant that the connection did not run deep: "My diary says we met on only 17 occasions since 1985." He points, too, to the fact that he refused to let Maxwell print the Express, "because when it came down to it, I never trusted him."

He clearly feels that the public preoccupation with Maxwell was partly responsible for his departure from MIM. "Since Maxwell, everyone associates the combination of publishing and fund management with skulduggery and I knew that wasn't going to go away."

Aside from fending off speculation about the extent of his relationship with Maxwell – which is likely to rumble on for years – will

United and Proudfoot be enough to keep Lord Stevens occupied?

His second wife, who died three years ago, suggested in her book, *Woman as Chameleon*, that wives adopt a different personality each day to keep their husbands entertained. Lord Stevens denies that he has needed three chairmanships to keep his life full. "Some people do, but I don't. I'm getting older. My wife died. I remarried. I want an easier life," he says.

Then he adds: "There are other things I want to do with my life – perhaps politics." That answer is made less surprising by a recent speech in the House of Lords on the responsibilities of the press. Perhaps because of his own sensitivity to press comment on his links with Maxwell, he says: "I don't like the way the press goes for people who have fallen on hard times."

He adds quickly: "I'm not sure yet exactly what I want to do. But there comes a time when you want to think about something else. Well, I'm thinking."

The anguish of migration

Judy Dempsey explains how ethnic cleansing is taking place in Bosnia

IN THE north-west Bosnian city of Banja Luka, there is an institution called the "Centre for Migration". Since May, it has been sending out instructions to Serbian officials in towns and cities throughout Bosnia-Herzegovina. The instructions are always the same: make arrangements for the exchange of population.

It is run by Mr Vojko Kuprasanin, Mr Radoslav Brdjanin, Mr Radoslav Vukic and Mr Predrag Radic. The four are leaders of the self-declared Serbian republic of Bosanska Krajina. They also support Bosnia's Serbian Democratic party, which is led by Mr Radovan Karadzic.

In June, Mr Kuprasanin, who has since established a martial law regime in Banja Luka, asked the Serb mayor of the central Bosnian city of Zenica for a population transfer involving 30,000 Muslims and Croats. They were to be sent from Banja Luka to Zenica in return for the Zenica authorities sending 30,000 Serbs to Banja Luka.

But such ad hoc rearrangements of Bosnia's ethnic make-up

have been institutionalised, with the forced evacuation of tens of thousands of mostly Muslim civilians by Serbs and their confinement in detention centres, according to officials from the International Committee of the Red Cross. It was forced to leave Bosnia at the end of May following intimidation and the killing of one of its aid workers.

"There is one aim behind the Serb camps: ethnic cleansing," a senior US diplomat said. "Through their quest for territory, the Serbs, by placing the Muslims in camps, want eventually to expel the Muslim population and make parts of Bosnia ethnically homogenous."

Many witnesses who have fled to neighbouring Croatia and Hungary have repeatedly confirmed these views. Muslims make up 43 per cent of the 4.5m Bosnian population, Serbs 33 per cent and Croats 17 per cent.

Although the ICRC, human rights organisations and other international aid agencies have not been permitted to visit any of the camps, except the "model" Serb-controlled camp at Manaca.

near Banja Luka, the Serbian media have begun openly to describe the ethnic cleansing.

The most recent issue of Epoka, a weekly magazine close to Serbia's ruling Socialist party, reported how Bosnia's Serbs now control large swathes of north Bosnia through ethnic cleansing. "This [region] is now cleared of Croats and Muslims...our army surrounds Muslim villages. If the Muslims do not raise the white flag on the minarets, we raze the villages to the ground. Serb villages will be built here."

If Muslims were prepared to fly the white flag, they must be prepared for an exchange of population. "Those people not from mixed marriages can go to the territory controlled by Bosnian president Alija Izetbegovic, or go to Croatia. Those from mixed marriages who have not fled at Serbs, can choose to remain," wrote Mr Radonovic.

The magazine boasted how in Kotor Varos, a town of 36,000 people east of Banja Luka, there were no longer ethnic minorities. Until recently, the town symbol-

ised the ethnic patchwork of Bosnia: 38 per cent Serb; 30 per cent Muslim; 29 per cent Croat.

Those held in Serb camps, particularly those in Omarska, north-west of Banja Luka, or Pale, east of the Bosnian capital Sarajevo, the headquarters of Mr Karadzic, are sometimes freed in exchange for Serb snipers held by Bosnia's territorial forces. Witnesses have described how they have been forcibly transported out of the republic as refugees.

"Those refugees cannot come back. The whole point about ethnic cleansing is that it prevents the local inhabitants from returning. Not just because they are afraid, but because they have nothing to return to. Their homes have been completely destroyed," a United Nations High Commissioner for Refugees said.

Few international relief agencies can confirm the number of Serb detention camps in Bosnia because they are not allowed to visit them, or it is too dangerous to travel to them.

Funeral attacked, Page 2
Softer style of cleansing, Page 2

S Africa protests enter critical phase

By Michael Holman
in Johannesburg

SOUTH AFRICA'S week of protest enters its critical and most dangerous phase today when Mr Nelson Mandela leads a march on Union Buildings, the citadel of white authority in the heart of Pretoria.

For the next three days the focus shifts from the shop floors, target of the 48-hour general strike which ended yesterday. Although factories will still be the targets of sit-ins, much of the action will move to the streets of towns and cities, where the risk of confrontation with security forces is higher.

The African National Congress and its allies - the Communist party and the Congress of South African Trade Unions - expect a huge turnout for today's march through Pretoria's city centre to the Union Buildings, the seat of government. An equally enthusiastic response is predicted in Cape Town, where motorists were warned to avoid today's march from the black township of Langa to the city centre.

If the massive stayaway that marked the strike can be followed with a big turnout for these and other rallies, demonstrations and sit-ins that start today, Mr Mandela and his allies will have organised the most formidable protest against white rule the country has seen.

The days ahead, however, could also reveal the limitations



Peak hour: The effect of the strike is illustrated at Soweto station as thousands stayed at home

of the ANC campaign, intended to force President F.W. de Klerk to accept a rapid transition to majority rule.

Professor Tom Lodge of Johannesburg's Witwatersrand university and an authority on black politics says: "The percentage of people who stayed at home does not tell us if they support the ANC alliance's cause, or if they would vote ANC in an election."

A strong response to the campaign would help provide the answer, as well as rebut allegations

that the stayaway was due in great measure to intimidation.

But a weak turnout is susceptible to another explanation: the high price of protest. Although some workers reached agreements with employers to work extra shifts, or take the two days as holiday, most participants will have had their pay packets docked.

What is more, their jobs will be at risk, either because employers may take a tough line, or because the strike could prove the last

straw for businesses battling to keep afloat in recession.

Such problems do not damp the enthusiasm of Mr Jay Naidoo, Cosatu general secretary. Jubilant over the outcome of the campaign's first day, he vowed to "continue the campaign of rolling mass action until the [alliance's] demands are met". The next few days will indicate whether the energy is there for a protracted struggle.

Mandela to lead march, Page 5

Liquidators sue UK banks for £490m

By Andrew Jack, Robert Peston,
Richard Donkin and Raymond
Hughes in London

THE ROYAL Bank of Scotland is being sued for up to £418m (\$798m) and National Westminster for more than £71m by the liquidators of a small banking group at the heart of an alleged fraud. The banking group, Wallace Smith Trust Company, was closed down last year by the Bank of England.

Neither bank has made provisions against any losses which may result from the legal action. The £418m claim against the Royal Bank is roughly equivalent to its full-year profits before provisions and its shares dropped 21p yesterday to 153p. NatWest's

shares fell 4p to 320p.

The damages claims stem from allegations that substantial payments which should have been made to the Wallace Smith Trust Company were made by the banks to another company, Wallace Smith Holdings.

Wallace Smith Trust's liquidator, Mr Tim Hayward, head of corporate recovery at KPMG Peat Marwick, claims the payments were non-transferable and should not have been rerouted. The banks say the rerouting was properly authorised.

Mr Hayward has issued a writ against Royal Bank. NatWest has not yet received a writ though it expects to receive one.

Wallace Smith Trust was a banking and finance group closed

down by the Bank of England in May last year. Wallace Smith Holdings was a general financial services company.

Mr Wallace Duncan Smith, a director of Wallace Smith Trust, has been charged with fraud exceeding \$50m.

Mr Smith, 58, Duncan to his friends - lives a wealthy though private lifestyle with an address in Chelsea, west London, and a property at Lyford Key, near Nassau in the Bahamas.

Born in Edmonton, Canada, he is described as a friendly family man who is said by business acquaintances to have firm political views. He is well known among the Bruges Group of anti-European federalists.

Mr Smith was arrested in April

last year and charged with fraudulent trading. His case was transferred from City of London magistrates court 12 months later, by which time he faced 15 charges. His trial has been fixed for February 1 at Knightsbridge Crown Court.

Royal Bank of Scotland said its writ claimed "damages in conversion" for 39 payments made between August 1989 and January 1991. Eleven of the payments originated from Deutsche Genossenschaftsbank and 28 from Bank of New York.

The bank said yesterday: "We deny liability and are going to vigorously contend these allegations."

Bad debt warning, Page 14

Goods for troops scam

Continued from Page 1

set up and liquidated. "We know who the 100 or so perpetrators are. They are people who were convicted of counterfeiting, illegal weapons sales and forgery of documents and art objects. There is no place left where they can escape", Mr Schmidt said.

Most are known to be in Berlin, but no arrests have been made so far because of the complexity of the company operations.

A recent parliamentary investi-

gation in Moscow has claimed that the scandal extended into the top echelons of the former Soviet armed forces.

The DM3bn to pay for supplies for Soviet troops remaining temporarily in eastern Germany was part of a total of DM13.8bn which the German government had agreed to pay for supplies and housing for the returning Soviet officers.

The agreement was reached at the time of unification in 1990.

Fisher sale frees Monsanto

Continued from Page 1

Mr Filippello said Monsanto's efforts to concentrate on its core businesses of high-value chemicals, pharmaceuticals, agricultural chemicals and food ingredients "precluded the level of investment needed to allow Fisher to grow".

The group needs cash. The chemicals operations are suffering from the poor US economy. In addition, some of its strongest revenue earners are slowing. These include Roundup, Monsan-

to's herbicide and world's best-selling agrochemical, whose patents expired in the US and Europe last year.

Earnings from Nutrasweet, the artificial sweetener, are also set to decline. Last year it generated sales growth of only 2 per cent. Wall Street reacted favourably to the news of the divestiture; the company's share price was marked 3 3/4 higher at \$97 1/4.

For the first six months of 1992, operating earnings at Fisher declined to \$31m, from \$61m in the first half of last year.

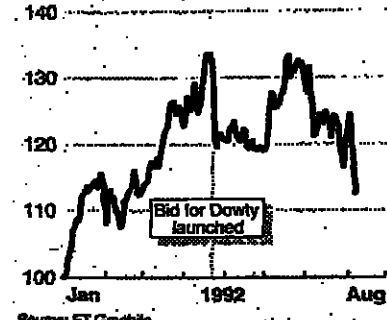
THE LEX COLUMN

A Royal misfortune

FT-SE Index: 2407.5 (-12.7)

TI Group

Share price relative to FT-A All-Share Index



Source: FT Graphics

It is difficult to resist a gasp of apprehension at the sheer size of the £418m claim against Royal Bank of Scotland from the liquidators of Wallace Smith Trust. The sum is not only broadly equivalent to a whole year's profit before provisions. It also amounts to a quarter of the bank's shareholders' funds.

Uncertainty about the suit will dog the bank for a long time. One can only guess at the outcome, but the chances are that Royal will not in the end have to write off the full amount. A further consolation is that the bank is well endowed with tier 1 capital under Bank for International Settlements rules. Its BIS ratio at the end of the last business year was nearly 7 per cent and it is currently adding new tier 1 capital through its \$200m issue of non-cumulative preference shares in the US.

A more serious worry in the short run is the warning in the US issue documentation that provisions will exceed last year's \$251m, a figure which was already 80 per cent up on the previous year. It looks as though the bank has been less than usually canny in its forays into English lending. Its admission is especially disconcerting after its encouraging noises at the interim stage. That alone would be enough to justify a large part of yesterday's 12 per cent fall in the shares.

Against this background, the performance of the shares yesterday looks like a more basic rethink of TI's ability to ride out the recession. Excluding Dowty, the interim figures were at the lower end of expectations. On a prospective multiple of roughly 15 times, which the market generally accepted, the shares stood until yesterday at an expensive 11 per cent premium to the engineering sector and a 42 per cent premium to aerospace.

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INTERNATIONAL COMPANIES AND FINANCE

Christiania Bank reduces losses to Nkr162m

By Karen Fossli

CHRISTIANIA BANK, Norway's second-biggest commercial bank, said yesterday that first-half net losses narrowed sharply to Nkr162m (\$27.8m) from Nkr1.637bn in the same period last year.

The bank also reduced the amount its wants as emergency state funding from Nkr750m to Nkr65m to enable it to meet stricter capital adequacy requirements to be implemented by the end of the year. Last year, Christiania received state funds of Nkr7.864bn.

Christiania was acquired by the state last year after its

share capital was wiped out by large losses. The bank was delisted from the bourse and shareholders were given an option to acquire up to 25 per cent of the state's shares. Some 23 per cent of Christiania's share capital has been taken up by private investors. A decision to relist the bank in Oslo could be made by the end of next month.

Christiania lifted first-half net interest income to Nkr1.555bn from Nkr1.413bn last year. Profits from foreign exchange and securities trading dipped to Nkr250m from Nkr283m, as non-interest expenses were cut to Nkr1.447bn from Nkr1.769bn

in last year's comparative period.

Christiania reduced staff by 20 per cent during the last 18 months as part of a state instruction to reduce costs by 15 per cent. Costs were reduced by 21 per cent by the end of the second quarter.

First-half credit losses fell to Nkr1bn from Nkr1.9bn, but Mr Borger A. Lenth, chief executive, said credit losses were still at an unacceptable level. He pointed out that the value of collateral for loans was still declining.

He expressed concern over the development of the domestic economy and over a reduction in the volume of the

bank's loans and said that if the bank saw a further, strong reduction in loan volume, it would be necessary to evaluate the bank's branch network. Should the bank be forced to consolidate further, additional redundancies could be necessary, he warned.

Mr Borger A. Lenth said that the company would need Nkr685m to meet capital adequacy requirements by the end of the year, compared with its first-quarter estimate of Nkr750m.

"The government Bank Insurance Fund has confirmed that it will contribute to the bank meeting this requirement," Christiania said.

Royal Bank of Scotland warns on bad debts

By Robert Peston

ROYAL Bank of Scotland yesterday issued a gloomy trading statement, which in part prompted a 12 per cent fall in its share price to 153p.

The bank said it expected bad debt charges in the current financial year, which ends on September 30, would exceed those of the previous year, which had been a record £351m (\$675m).

The bank made the statement when announcing plans to raise \$200m by an issue of non-cumulative preference shares.

Royal Bank said it did not expect any improvement in the "recessionary environment in the short term" and that business conditions for the group would probably "remain difficult" through at least the remainder of calendar 1992.

Royal Bank's share price was also depressed by a separate announcement that it had received a claim from Wallace Smith Trust, a company in liquidation, for the reimbursement of significant sums allegedly transferred to the wrong account. Royal Bank is contesting the claim and cannot quantify its ultimate liability, though the face value of the sums involved total £418m.

The new preference shares are being issued in the US. Merrill Lynch, the US securities firm, is advising Royal Bank on the share sale.

Banks in talks with Torras

REPRESENTATIVES of about 60 banks will meet officials of the Kuwait Investment Office's (KIO) fully-owned subsidiary, Grupo Torras today to discuss debt servicing within the group, Reuters reports from Madrid.

The meeting will focus on Prima Inmobiliaria, a real estate company in which Torras holds 27 per cent, but may also review other companies in the group, including Ereros, which filed for a partial suspension of payments on July 8.

Earnings at TI Group decline 7% in first half

By Richard Gourlay in London

TI GROUP, the specialist UK engineering group that took over Dowty, the British aerospace company, in June, yesterday reported a 7 per cent fall in first-half profits amid "increasingly prolonged depression in business activity".

Increases in profits from the John Crane seals and Bundy specialised tubes divisions - much of which derived from the £134m spent on bolt-on acquisitions last year - could not compensate for a halving in operating profits in the specialised engineering division.

Mr Christopher Lewinton, TI chairman, said the main decline was in thermal technology capital equipment manufacturing, a non-core business which is to be sold.

As proposed during the bid, Dowty's aerospace division will

replace the specialised engineering division as TI's third business leg alongside seals and tubes.

The figures are the last not to include a contribution from Dowty. In early October TI will reveal the fair market provisions it will set up for the Dowty acquisition, a practice which the City has criticised TI for in the past.

Pre-tax profits fell from \$54.2m in the six months to June 1991 to \$50.2m (\$85.8m) - about the level reported in the last half of 1992 - on sales up 7 per cent at \$471m.

Earnings per share fell from 11.4p to 10.2p and the group is to pay an increased 3.7p interim dividend, up 5.7 per cent.

TI also attempted to remove some of the uncertainty during the bid that surrounded Dowty's results for the year to March.

Price Waterhouse and

Arthur Andersen, auditors for TI and Dowty, respectively, have now agreed that Dowty will report pre-tax profits of £28m, about £5.7m below the figure forecast by Dowty as part of its bid defence.

Mr Lewinton said the closure of Dowty's Cognito paging business would require a £35m write-off. This will be taken on Dowty's books before it is consolidated into TI and will therefore not form part of the acquisition provisions to be announced in October.

Mr Lewinton's comments that Dowty's first-quarter operating improvement was unlikely to continue, as Dowty had suggested, and repetition of the stark economic background in the group's markets hit TI's share price. After a number of brokers cut their forecasts TI's shares fell 31p to 265p.

Lex, Page 12

Utd Distillers extends Greek distribution deal

By Kerin Hope in Athens

J.BOUTARI, the largest Greek wine producer, is extending a successful joint venture agreement in marketing and distribution with United Distillers, the British spirits company.

Under a new agreement with a 20-year duration, the companies each hold a 50 per cent stake in United Distillers Boutari, the joint venture.

UDB was set up in 1989 under a three-year agreement by which Boutari distributed the British company's products in Greece. UDB's sales rose from Dr2.6bn (\$14m) in 1989 to Dr8.9bn in 1991, reflecting rapid growth in consumption of imported spirits, partly at the expense of traditional Greek wines and aperitifs. Pre-tax profits rose from Dr408m to Dr1.6bn over the same period.

Under the new agreement, UDB will market both Boutari wines and United Distillers products through the Boutari network in mainland Greece and the Aegean islands.

United Distillers is to provide Boutari with a cash injection, reportedly amounting to Dr7bn, out of its share of UDB's future earnings.

Boutari has added several new wines to its medium-priced range which, unlike other Greek wines, are aggressively marketed throughout the country. It has entered the beer market with the acquisition in April of Henninger Breweries in central Greece.

Akzo gains 14.6% in quarter

By Ronald Van Der Krol in Amsterdam

AKZO, the Dutch chemicals group, reported a 14.6 per cent rise in second-quarter net profit, double the 7 per cent rate of growth recorded in the first quarter.

The company said that economic uncertainties and the weaker dollar would make it more difficult to post a profit rise in the second half, but it predicted that full-year profit before extraordinary items would be higher than in 1991.

An improved performance in chemical products, the biggest

of the group's four divisions, was the main factor behind the rise in second-quarter net profit to Fl218.3m (\$130.7m) from Fl190.5m a year earlier. The increase brought first-half group net profit to Fl424.1m, a gain of 10.8 per cent from the first six months of 1991. Turnover in the first half was up 3.3 per cent at Fl1.832bn.

The chemical products division saw second-quarter operating profit nearly double to Fl194m from Fl149m in the same quarter of 1991, when results had been weighed down by maintenance work at some facilities.

Pharmaceuticals, the smallest division by turnover but the biggest in terms of profits, posted operating results of Fl140m, up only slightly from Fl139m a year earlier. Akzo said growth in results had been held back by the cost of setting up a US marketing force for the company's Marvelon contraceptive pill, for which it hoped to win US regulatory approval by the end of the year.

Elsewhere, operating results in coatings rose to Fl113m from Fl99m, while profits in fibres showed a small increase to Fl40m from Fl38m.

Schering lifts sales to DM3.4bn

By Leslie Collitt in Berlin

SCHERING, the Berlin-based pharmaceuticals and chemicals group, lifted sales by 5 per cent to DM3.4bn (\$2.23bn) in the first six months of this year.

Earnings at DM179m were down 4 per cent compared with the same period last year. Lower profits from subsidiaries were blamed, but Schering forecast that earnings for the year would be slightly above the record DM274m earned in 1991.

The DM660m sale of Schering's industrial and organic chemicals operations to Witco Corporation in the US was cited as a contributing factor to the projected higher earnings.

Schering said it wanted to

concentrate on pharmaceuticals and plant protection chemicals as its market share in the other sectors was too low to permit expansion.

Pharmaceuticals sales in the first half rose 14 per cent to DM1.9bn, contributing 57 per cent to total turnover. Agrochemicals, which made up 25 per cent of sales, fell 10 per cent to DM857m. Schering placed responsibility on drought conditions in Europe and recent EC agricultural measures.

The company said a decision was expected in the next few days on the sale of Schering's electroplating division. Negotiations were continuing with a US company. Electroplating sales fell in the first half by 5 per cent to DM143m.

AGAB, the German investment company, has taken a stake of about 10 per cent in Fresenius, a pharmaceuticals and medical technology company. Reuters reports from Frankfurt.

AGAB said that it hoped to strengthen its presence in the sector through the purchase of the stake.

Fresenius is mainly involved in the manufacture and sale of dialysis equipment and infusion products.

AGAB's balance sheet total rose 30 per cent in 1991 to DM769m and it earned DM58.7m through its equity holdings, up from DM58.1m the year before.

Distributable profit was DM15.2m against DM12.2m previously.

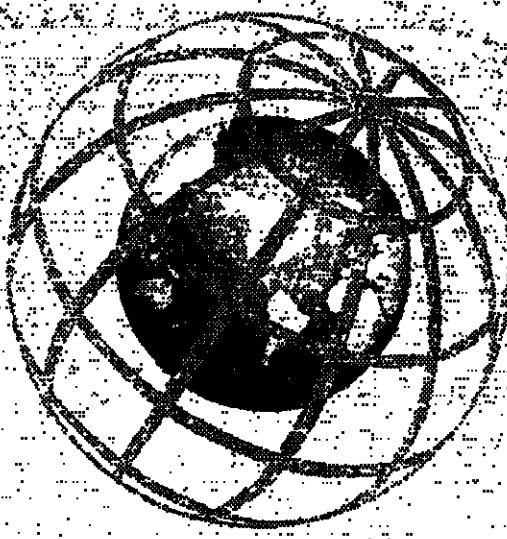
TI Group — Half Year 1992

	1992	1991
Pre-tax profit	£50.2m	£54.2m
Earnings per share	10.2p	11.4p
Dividend	3.7p	3.5p

"Our existing world-leader businesses, John Crane and Bundy, have performed well in the continuing difficult economic environment, producing growth in both sales and profits.

We are pleased that the acquisition of Dowty has provided us with the opportunity to create a third world-leader business which will strengthen TI's position for the future."

Christopher Lewinton, Chairman



TI Group is one of Europe's leading specialised engineering groups. Its three core, global businesses are Bundy International fluid carrying systems, John Crane International engineered sealing systems and Dowty Group landing gear, propellers, hydraulic systems, engine rings, electronic systems and components. For further information, contact the Department of Public Affairs, TI Group plc, World Operating Headquarters, Lambourn Court, Abingdon Business Park, Abingdon, Oxon OX14 1UH England.

The contents of this advertisement, for which the directors of TI Group plc are responsible, have been approved for the purposes of Section 7 of the Financial Services Act 1986 by Price Waterhouse, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / July, 1992

8,000,000 Shares

The China Fund, Inc.

Common Stock

2,250,000 Shares

This portion of the offering was offered outside the United States by the undersigned.

James Capel & Co.

Merrill Lynch International Limited

Oppenheimer & Co., Inc.

Swiss Bank Corporation

5,750,000 Shares

This portion of the offering was offered in the United States by the undersigned.

Oppenheimer & Co., Inc.

Merrill Lynch & Co.

Bear, Stearns & Co. Inc.

Alex. Brown & Sons

A.G. Edwards & Sons, Inc.

Kemper Securities, Inc.

Kidder, Peabody & Co.

PaineWebber Incorporated

Prudential Securities Incorporated

Smith Barney, Harris Upham & Co.

Advest, Inc. Arnhold and S. Bleichroeder, Inc.

J. C. Bradford & Co. Dain Bosworth

Legg Mason Wood Walker

Piper Jaffray Inc.

Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc.

Wheat First Butcher & Singer

Capital Markets

Market Myths and Duff Forecasts for 1992

The recession is over, stockmarkets are in a bull trend, the US dollar will continue to recover. You did NOT read that in *FullerMoney*.

The economic forecast is pessimistic (see page 10).

Call Jane Farquharson for a sample issue (free only). Tel: London 71-439 4921 (071) in UK or Fax: 71-435 4566.



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INTERNATIONAL COMPANIES AND FINANCE

Canadian Pacific optimistic after loss in first half

By Robert Gibbons in Montreal

CANADIAN PACIFIC, the diversified holding company, yesterday unveiled disappointing second-quarter and first-half results. However, the group said heavy grain movements, strong oil and gas output and improved forest products markets would help in the second half.

CP subsidiaries in transportation, energy, and forest products continued to feel the recession, while real estate and hotels improved their performance.

Second-quarter profits were \$21m (US\$17.7m), or 6 cents a share, against \$30.9m, or 10 cents, a year earlier, on revenues of \$2.5bn against \$2.6bn. But the first half showed a loss of \$31.7m compared with profit of \$25.6m on revenues of \$4.8bn, against \$4.9bn last time.

CP Rail weakened in the second quarter when grain movements declined. Overall traffic slipped 7 per cent because of labour disputes in some western industries, but it said that grain movements should recover in the second half.

The coal unit's performance improved in the first half. A

strike has halted coal shipments from Vancouver but talks are under way to try to resolve the dispute.

Forest products losses rose in the first half, but pulp and newspaper prices have recently firmed and markets should strengthen in the second half. The deterioration in the first half was partly offset by a lower Canadian dollar and reduced production costs.

Marathon Realty had first-half operating income of \$12m, up \$5m from higher sales of land and buildings. Rental income fell because of the recession while hotels gained from higher efficiency and improved average room rates. The US Doubletree hotels also did better.

The machinery group improved with a strong performance by the Litwin petrochemical engineering unit. The recession continued to affect 19 per cent-owned Laidlaw, the big North American waste management

Catastrophe losses cause setback at Cigna

By Karen Zager in New York

CIGNA, one of the largest composite insurers in the US, has unveiled underlying second-quarter earnings of \$1.09 a share, compared with \$1.88 in the same period of 1991.

Mr Wilson Taylor, Cigna's chairman, blamed the shortfall on weak worldwide property and casualty markets and high catastrophe losses, particularly from the Los Angeles riots.

The company had already warned its results would fall below analyst expectations of about \$1.25 a share, but did not give specific reasons.

Mr Taylor said the company was reviewing its London property and casualty reinsurance operations because of recent concerns about the London reinsurance market.

Cigna's pre-tax catastrophe losses climbed to \$55m, including \$39m from the Los Angeles riots, from \$11m a year earlier. Net income for the three months to June 30 was \$125m, or \$1.74 a share, including one-time gains of \$47m. A year earlier, Cigna net income was \$170m, or \$2.38, including one-time after-tax gains of \$36m.

For the first half, Cigna recorded net income of \$231m, or \$3.22 a share, including after-tax gains of \$70m. For the same period of 1991, it earned \$218m, or \$3.05 a share, including extraordinary gains of \$41m.

Premiums and fees for the group overall in the second quarter were \$3.45bn, against \$3.6bn a year ago, while net investment income totalled \$900m, against \$960m. For the first half, premiums and fees stood at \$6.5bn while net investment income totalled \$1.96bn. A year earlier, premiums and fees were \$7.2bn while net investment income was \$1.93bn.

Nippon Housing cuts interest payments

By Robert Thomson in Tokyo

NIPPON Housing Loan, Japan's largest home-loan company, has cut interest payments to leading banks to try to overcome a sharp rise in its non-performing loans.

Seven Japanese housing loan companies have sought financial assistance from their leading banks, and Nippon Housing has sought the help of the same banks which founded it in 1971.

However, Nippon Housing is now in dispute with several of the banks, which oppose its unilateral decision to reduce the interest rate on its loans. The company had cut the rate to 8.75 per cent, the same as the official discount rate, and this week decided to reduce it to 3.25 per cent.

Nippon Housing, now a listed company, has an estimated ¥1,200bn (\$9.43bn) in non-performing loans, and reported an 87 per cent fall in pre-tax profits for the year to March. The company also said it had ¥23.4bn in unrealised losses on securities holdings.

The plight of the home-loan industry is indicative of the pressure on Japanese financial institutions, which have been forced to accept reduced or even no interest payments from clients hit by the stock market crash and the property price slump.

At the end of March, Sakura Bank had about ¥226bn in loans outstanding to Nippon Housing, while Sanwa Bank had ¥196bn in loans.

Earnings climb 20% at Stanbic

STANDARD Bank Investment Corp (Stanbic), South Africa's second-largest banking group, yesterday reported a 20 per cent rise in earnings to 245 cents a share for the first half to June 30, from 204 cents a share a year earlier. AP-DJ reports from Johannesburg.

Net profits rose 25 per cent to R259.2m (\$86m) from R209.0m.

Stanbic expects "real earnings growth" in the second half because a liquid money market - resulting from both South Africa's recession and its drought - should keep margins high.

The group's loans, advances and acceptances declined during the first six months even though home loans rose by R1.7bn.

The bank reduced its bad debt provisions by 10 per cent to R173.0m from R192.7m a year earlier, while its operating expenses rose 24 per cent to R608.3m from R492.5m.

RJR establishes new foods division

By Alan Friedman in New York

RJR Nabisco, the large US foods and tobacco group, yesterday formed a new international foods division and hired Mr Richard Thoman, a former top executive at American Express, as its president.

The 45-year-old Mr Thoman, who was previously a co-chief executive of the travel related services (TRS) division of American Express and the man in charge of international banking operations, will become president of Nabisco International.

He will be one of four RJR division heads reporting to Mr Louis Gerstner, the RJR Nabisco chairman who resigned as

president of American Express three years ago.

Mr Thoman was replaced as co-chief executive of the American Express TRS division last October, as was Mr Ed Cooperman, who also left American Express and now works as a senior executive for Mr Sandy Weill, another former American Express president who is chairman of Pramerica, the financial services group.

The American Express TRS division, the core of the travel and financial services group, suffered a more-than-halved 1991 net income of \$396m. The main cause was large losses at the Optima credit card business in the US, a business that was not Mr Thoman's direct responsibility.



Richard Thoman: will head new international unit

Mr Thoman and Mr Cooperman were replaced as chief

executive of TRS by Mr Harvey Golub, who was named the new president of American Express a year ago. Mr Thoman left American Express in February of this year and remained a consultant until June.

The Nabisco international foods division that Mr Thoman will run is estimated by analysts to have had 1991 revenues of about \$800m, against total foods revenues of \$6.5bn. The international foods business has a workforce of 13,200, out of a total of 36,000 employees in the Nabisco foods business.

Mr Gerstner said the recruiting of Mr Thoman was aimed at "underscoring this company's commitment in the international food arena."

Sharp rise at Toronto metals producer

By Bernard Simon in Toronto

FALCONBRIDGE, the metals producer jointly owned by Noranda of Canada and Sweden's Tröteberg group, boosted second-quarter earnings by almost 40 per cent, despite sharply lower nickel prices.

The Toronto-based company said net income rose to \$13.8m (US\$11.6m) from \$9.9m a year earlier. The latest figure includes a \$5.3m charge for an early retirement programme at the Kidd Creek mine in northern Ontario.

Mr Lars-Eric Johansson, chief financial officer, ascribed the improvement to lower interest rates, a higher zinc price and lower unit costs.

Operating income tumbled to \$14.4m from \$59.9m, while revenues fell to \$412.5m from \$463.5m.

Nickel sales fell to 14,400 tonnes in the second quarter at an average price of \$3.43 per lb, from 14,600 tonnes at an average of \$4.07 per lb a year earlier.

The company sold 6,600 tonnes of ferro-nickel at an average price of \$3.35 per lb, compared with 8,000 tonnes at \$3.99 per lb last year.

The weak nickel market has led Falconbridge to close both furnaces of its facility in the Dominican Republic during August.

In addition, the Sudbury division in Ontario will take an extended five-week summer shutdown.

Record results at Bear Stearns

By Patrick Harverson in New York

BEAR Stearns, the Wall Street brokerage house, yesterday reported a 57 per cent increase in fiscal fourth-quarter net income to \$78.5m in the wake of strong trading revenues and a buoyant underwriting business.

It was the second-best quarterly performance in the firm's history, and took Bear Stearns' earnings for the full year, which ended on June 30, to a record \$294.6m, more than double the \$142.9m earned a year earlier.

The firm's return on the equity for the year was 28 per cent, also a record.

Bear Stearns said earnings in the fourth quarter were up

across all of its departments, but singled out the 47 per cent increase in revenues from trading, especially in mortgage-backed securities, convertible bonds and government securities.

Investment banking revenues were also significantly higher, thanks to increased stock and bond underwriting during the quarter.

The pattern of earnings for the whole year was much the same, with investment banking leading the way, aided by big contributions from areas including asset securitisation and high-yield/bankruptcy business, municipal trading and public finance, and emerging markets operations.

Bear Stearns was also helped

during the year by cost-cutting measures, including the move of its clearing and operations personnel from Manhattan to Brooklyn in New York and similar relocations in Chicago, Boston and London.

The decision to bring all of the firm's data processing activities in-house was also completed during the year, and should result in a "several million dollar" reduction of annual data processing costs beginning in fiscal year 1993.

Mr Alan Greenberg, chairman and chief executive of Bear Stearns, believes that the firm can improve on its record annual results.

He said: "We have momentum and our job is to try to keep it going."

Chase Manhattan cards offer lower variable rates

CHASE Manhattan, the second-biggest issuer of Visa and MasterCard credit cards in the US, yesterday said it would offer lower variable interest rates to more than half of its credit card holders in a move which reflects the competitive

ness of the plastic card industry, writes Karen Zager. The announcement comes just months after Citibank, the biggest US issuer, offered lower rates to its better customers.

The reduced variable rates will take effect when Classic Card balances exceed \$2,000, and Gold Card balances exceed \$3,500. Members in good standing will also have a choice between their current fixed rate or a variable rate.

GOLD FIELDS PROPERTY COMPANY LIMITED

(Incorporated in the Republic of South Africa)
(Registration No 01/01078/06)

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT	*Six months ended 30 June 1992	*Six months ended 30 June 1991	Year ended 31 December 1991
	R'000	R'000	R'000
Revenue			
Income from rent and sale of property	3,927	4,148	7,902
Surplus - on - realisation of investments and fixed assets	1,475	8,388	8,871
Income from other sources	456	2,366	3,401
Income from investments	518	1,243	2,082
	5,976	16,117	22,256
Expenditure			
Administration and general	1,304	1,035	2,550
Interest	151	-	11
Amounts written off	-	-	670
Profit Before Tax	4,521	15,082	18,925
Tax	1,880	2,242	3,820
Profit After Tax	2,741	12,840	15,105
Extraordinary item	-	6,482	5,890
	2,741	19,322	21,295
Earnings per share - cents			
Dividends - per share - cents	27	136	151
- ascertained - R'000	18	181	213
- times covered	1.84	18.66	21.77
# Includes special dividend in specie of 100 cents per share	1.5	0.7	0.7
CONSOLIDATED BALANCE SHEET			
	*At 30 June 1992	*At 30 June 1991	At 31 December 1991
	R'000	R'000	R'000
Fixed assets	52,898	46,236	50,928
Land and township development	20,746	40,415	20,746
Investments	5,725	15,686	6,421
Net current assets/(liabilities)	(4,606)	(3,881)	(4,383)
Current assets	2,820	5,209	2,140
Less current liabilities	7,426	9,190	6,533
	74,604	98,446	73,702
Share capital	256	256	256
Reserves	73,468	98,190	73,446
	73,724	98,446	73,702
Deferred liabilities and provisions	800	7,646	879
	74,604	98,446	73,702
Investments			
Listed - Market value	27,805	54,000	30,398
- Excess over book value	7,846	14,283	10,400
- Book value	19,959	39,636	19,998
Unlisted - Book value	787	789	787
Shares in issue unchanged at 10,224,350			
Net assets (as valued) per share - cents	1,222	1,288	1,184
*Unaudited			

Notes: Dividend: The final dividend No 138 of 32 cents per share, in respect of the year ended 31 December 1991, amounting to R3,272,732, was declared on 18 January 1992 and paid on 26 February 1992.

Prospectus: It is expected that consolidated net earnings for the first half of the current financial year will be maintained in the second half.

DECLARATION OF INTERIM DIVIDEND: Dividend No 138 of 18 cents per share has been declared in South African currency, payable in members registered at the close of business on 28 August 1992.

Warrants payable on 23 September 1992 will be posted on 22 September 1992.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the Company. Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the Company on or before 28 August 1992 in accordance with the above mentioned conditions.

The register of members will be closed from 29 August to 4 September 1992, inclusive.

Registered and Head Office: Gold Fields Building, 75 Rex Street, Johannesburg 2001

On behalf of the Board: M.R. Fuller-Good (Chairman), A.J. Wright

United Kingdom Registrars: Barclays Registrars, 34 Beekenhof Road, Beckenham, Kent BR6 4TU

London Office: Greenleaf House, Francis Street, London SW1P 1DH

4 August 1992

A MEMBER OF THE GOLD FIELDS GROUP

HAVAS

THANKS SHAREHOLDERS FOR THEIR CONFIDENCE

Holders of equity warrants attached to the 1989 share issue have now exercised these. This operation added FF 1,760 million to the group's shareholders's equity and cash position, and led to the creation of 4,286,000 new shares. This sets the total number of Havas shares at 44,839,000. New shares will be listed as of mid-

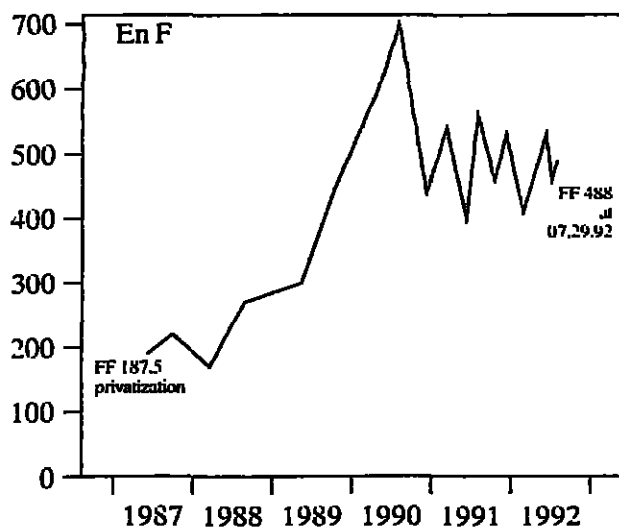
August. Havas would like to take this opportunity to thank shareholders for providing it with the means to pursue its growth strategy. From 1986 to 1992, Havas group equity will have been multiplied by 5.6, from FF 1,652 million to more than FF 9,200 million.

CONSOLIDATED FIGURES

in FF millions	1986	1991	1991/1986
Revenues	11,299	26,497	x 2.3
Income from current operations before taxes	585	1,851	x 3.2
Net earnings, group share	426	1,083	x 2.5
Investments	469	2,360	x 5.0
Dividends paid by Havas S.A.	54	312	x 5.8
Capital	1,652	6,581*	x 4.0

* On December 31, 1992, group equity is set to exceed FF 9,200 million.

HAVAS SHARE: PERFORMANCE SINCE PRIVATIZATION (adjusted)



Investors relations Tel: (33-1) 47 47 30 00



The Board of Management of Akzo N.V. announces that on August 4, 1992 the results for the 1st half year 1992 were published. Copies of this report may be obtained from the London Paying Agents:

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Stock Exchange Services Department
168 Fenchurch Street
London EC3P 3HP
and
Midland Securities Service
Suffolk House
Paying Agency Section
5 Laurence Pountney Hill
London EC4R 0EU

or at the offices of
Akzo N.V.
Velperweg 76
P.O. Box 9300
6800 SB Arnhem
The Netherlands

A summary of the results will be presented in the August 17 issue of this paper.

Arnhem, August 5, 1992

Akzo N.V., The Netherlands

Fujitsu to end chip production at US plant

By Robert Thomson in Tokyo and Michio Nakamoto in London

FUJITSU, the Japanese computer maker, is to end production immediately at its semiconductor plant in San Diego as part of a reorganisation of the company's chip production.

The decision, which could stir criticism in the US, reflects the financial pressure on electronics companies, particularly those determined to stay in the semiconductor race.

It is also a sign of a general restructuring now taking place within the Japanese electronics industry.

About 280 workers are employed at the California plant, which assembled 1-megabit dynamic random access memory (D-RAM) chips, and is one of two Fujitsu semiconductor plants in North America. The chips, produced for sale on the open market, are used in computers and telecommunications equipment.

The memory chip market has suffered over-production, leading to large price falls. The 1-megabit D-RAM market is particularly oversupplied and increasingly dominated by South Korean suppliers.

The trend among Japanese semiconductor suppliers has been to enter markets for the most advanced products at an early stage when margins are higher.

Fujitsu has not been successful in the memory chip market generally, where it has failed to be an innovator.

The group has invested heavily in a recently opened UK plant making 4-megabit D-RAMs. However this has been incurring losses because demand has fallen short of expected levels. Fujitsu's difficulties in the semiconductor market led it recently to dismiss the heads of its European and North American semiconductor operations.

Referring to the latest US move, Fujitsu said last night: "We have to close the plant because of profitability and competitiveness problems. We all know that the profitability of the semiconductor industry is not so good. The weak Japanese economy is a reason, but that is not the only reason for the closure."

Fujitsu reported a 68 per cent fall in pre-tax profits for the year to March, while other Japanese chipmakers announced profit falls of 40 per cent and more, due to the weak memory markets.

These companies are reviewing their chip production and their role in the crowded consumer electronics markets. They have sought to reduce development costs through partnerships with US and European makers.

It is likely some of the San Diego operations will be transferred to a Fujitsu facility in Malaysia, where production costs are lower.

The US facility, opened in 1980, assembled about 800,000 memory chips out of a total of 5m produced monthly by Fujitsu.

FHI plans product line rationalisation

By Gordon Cramb in Tokyo

FUJI Heavy Industries (FHI), the Japanese carmaker, is to eliminate almost half its Subaru model variations, in the most sweeping rationalisation of product lines which Japan's economic downturn has yet forced on its crowded automotive sector.

The move is part of a 30-month programme announced yesterday by FHI under which it plans to return to pre-tax profits of ¥4bn (\$31.4m) in the current year to March - double its previous forecast - and ¥28bn by 1994-95.

The company incurred pre-tax losses of ¥4.1bn last year, its second year in the red. Mr Isamu Kawai, president, expects to resume dividends during the rationalisation programme. FHI last made a payout of ¥6 per share in 1989-90.

In common with larger Japanese carmakers such as Nissan, which holds 4 per cent of FHI, it offers a large range of model variants, numbering

about 400. These are to be shrunk to nearer 200, while costs will be cut through a greater standardisation of components.

The move may trigger similar announcements elsewhere. All Japan's nine carmakers are studying using parts common to different models and in some cases, for simpler items such as bolts, even co-ordinating procurement with rivals.

As a result of the measures, domestic sales of Subaru, known for minicars and four-wheel-drive vehicles, are forecast to rise to 377,000 units by the year to March 1995 from 360,000 this year. Export sales are expected to remain flat at just above 200,000.

The economic slowdown, which pulled Japan's domestic car sales lower by 6.5 per cent last year, shows few signs of easing. Figures this week from the Japan Automobile Dealers' Association show a 6.9 per cent drop in new registrations in July from a year earlier.

Medal-winning run for Wall Street

Patrick Harverson assesses the performance of US securities houses

US STOCK ISSUES (full credit to lead-manager)

Manager	January 1 1992 - June 30 1992		January 1 1991 - June 30 1991	
	Amount (\$m)	Rank	Amount (\$m)	Rank
Goldman Sachs	8,104.6	1	5,282.1	1
Merrill Lynch	5,159.0	2	3,067.4	2
Morgan Stanley	5,185.8	3	2,099.7	3
Lehman Brothers	4,221.0	4	1,514.8	4
First Boston	3,179.5	5	1,907.4	5
PaineWebber	1,860.7	6	835.6	6
Alex Brown & Sons	1,888.2	7	3,380.6	7
Smith Barney, Harris Upham	1,300.9	8	727.9	8
Donaldson Lufkin & Jenrette	1,165.9	9	1,068.1	9
Salomon Brothers	946.5	10	1,946.9	10

Source: IBD Information Services

and PaineWebber - benefited most from continued high levels of individual investor interest in the stock markets in the form of strong broking commissions.

At the same time, low interest rates have spurred Corporate America, eager to take advantage of cheap credit, into a flurry of debt and equity issues.

This sent revenues at securities houses with big underwriting books through the roof. In the second quarter, companies raised a record \$116bn through stock and bond sales, although there was a modest decline in the most profitable line of business - initial public offerings (IPOs) of stock - which hit firms, such as Alex Brown, which rely more on IPO revenues.

Low interest rates also benefited Wall Street firms in other ways. With a low cost of borrowing, firms have put their cheap capital to effective use in the markets, especially in exploiting arbitrage opportunities.

Low rates have also helped keep stock markets relatively buoyant despite a hostile economic and political environment, thus maintaining the value of firms' securities holdings.

Also, the big gap between low short-term rates and high long-term rates enabled firms to borrow short, lend or buy long and enjoy the wide profit margin in between.

The undoubted star of the second quarter was Salomon in the clearest sign yet that the giant securities house has

recovered from the debilitating effects of last year's scandal involving its illegal activities in the Treasury markets.

Salomon posted a \$447m pre-tax operating profit, the largest three-monthly profit ever recorded by a publicly-traded securities firm.

As always, the bulk of Salomon's earnings came from proprietary trading activities, and the firm was reportedly helped by a big derivatives-related windfall at its foreign operations during the quarter.

The one area that is still feeling the impact of the scandal, however, is investment banking, where revenues fell 16 per cent during the quarter despite strong demand on Wall Street for bond underwriting, a Salomon speciality.

There was no holding back investment banking revenues at Merrill Lynch, the league leader in securities underwriting.

Merrill's investment banking division earned a record \$399m from selling stock and bonds and from an increase in mergers and acquisitions activity (M&A). The rebound in M&A at Merrill, and at other firms, suggests this long-dormant part of Wall Street's repertoire is finally coming back to life.

Shearson Lehman, the second-largest US broking firm, also had a solid quarter, with profits rising 37 per cent to \$163m. The earnings picture at Shearson was similar to other firms - strong

proprietary trading and investment banking revenues offsetting flat or lower stockbroking commissions and slower IPO business.

Despite the good times, Wall Street has been cautious about boosting its payrolls. Management is sticking with the more cost-conscious approach adopted soon after firms realised that over-spending had eaten dramatically into dwindling profits during the late 1980s.

Those that did take on more staff were mostly retail houses looking to boost their broking muscle. PaineWebber was one of the biggest hirers. By the end of the quarter the firm had 350 more brokers than a year earlier, taking the total to 4,900.

While no one is expecting Wall Street to repeat its stunning first-quarter performance during the second half of the year, the July reduction in interest rates, plus recent gains in equity prices, suggest that the third quarter should see healthy earnings at most firms.

The only real cloud on the horizon is the IPO market, which for the past few months has been showing signs of distress.

Investors have become more choosy, and market conditions less favourable (too many IPOs are trading below their issue price to make potential investors comfortable). A host of planned floatations has been cancelled or abandoned in recent months, including last week, a \$380m offer by cosmetics giant Revlon.

IEL to float leading Australian retailer

By Bruce Jacques in Sydney

INDUSTRIAL Equity (IEL), the Australian investment group which owns Woolworths, the country's second-largest retailer, ended months of speculation yesterday by announcing plans to float the store group by October.

The floatation is expected to be Australia's largest, probably raising more than A\$2bn (US\$1.49bn), though no financial details were given yesterday.

IEL is controlled jointly by David Jones, Tooth & Co and Adelaide Steamship Company, all members of the former corporate empire of Mr John Spal-

vins, the Sydney-based entrepreneur. They are now operating under arrangements with their bankers.

The latter three companies are entitled to 52 per cent of the issue, but said yesterday they would pass that entitlement to their shareholders.

Once cross-shareholdings are cancelled out, about 48 per cent of the issue will be offered as entitlements to the three companies' shareholders, with the remaining 52 per cent available for public subscription.

Woolworths shares will be listed on the Australian and New York stock exchanges, with the floatation price deter-

mined by tenders from institutional investors.

The floatation proceeds will be used to retire all IEL's debt and some of that of Adsteam, Tooth and David Jones. It is understood that IEL plans to make the issue widely available to the Australian public.

The announcement follows Monday's disclosure by Woolworths of a 13 per cent rise in net profits to A\$247m for the year to June, on sales 11 per cent ahead at A\$9.18bn, defying the trend of a depressed Australian retail sector.

State Government Insurance Office (SGIO), the Western Australia state-owned general insurance business, is

to be privatised through a public floatation, Reuter reports from Perth.

Mr Carmen Lawrence, state premier, said legislation would be introduced this year to enable the sale to go ahead. The state government said in February it would sell all of SGIO and up to 49 per cent of the state-owned R&B Bank of Western Australia.

A statement gave no financial details or a timetable for the float.

SGIO's parent, the State Government Insurance Commission, will remain government-owned but will be reconstituted as the Insurance Commission of Western Australia.

REPUBLIC NEW YORK CORPORATION

Consolidated Statements of Condition

Assets	June 30,		Liabilities and Stockholders' Equity	June 30,	
	1992	1991		1992	1991
(in thousands of US\$ except per share data)					
Cash and due from banks	\$ 413,303	\$ 308,311	Non-interest bearing deposits:		
Interest bearing deposits with banks	9,907,773	8,913,526	in domestic offices	\$ 958,091	\$ 807,190
Precious metals	382,444	459,180	in foreign offices	81,440	127,971
Investment securities	10,990,694	7,729,958	Interest bearing deposits:		
Trading account assets	648,818	143,369	in domestic offices	9,311,809	9,275,844
Federal funds sold and securities purchased under resale agreements	244,109	388,173	in foreign offices	10,008,702	10,319,474
Loans, net of unearned income	8,146,189	8,516,975	Total deposits	20,359,842	20,530,479
Allowance for possible loan losses	(236,205)	(233,672)	Short-term borrowings	3,884,210	1,880,398
Loans (net)	7,910,984	8,283,303	Acceptances outstanding	1,103,298	1,022,124
Customers' liability on acceptances	1,086,283	1,617,680	Accrued interest payable	324,150	204,232
Premises and equipment	384,596	371,441	Due to factored clients	447,891	416,630
Accrued interest receivable	283,851	316,712	Other liabilities	1,048,774	790,447
Investment in affiliate	541,728	498,765	Long-term debt	2,453,909	1,174,447
Other assets	535,290	664,393	Subordinated long-term debt and preferred capital notes	1,534,298	1,165,626
Total assets	\$33,349,871	\$29,674,791	Stockholders' Equity		
			Cumulative preferred stock, no par value \$1.00 per share of standing in 1992 and 1991	556,925	456,925
			Common stock, \$5 per value 150,000 shares authorized in 1992 and 150,000 shares authorized in 1991		
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The portion of the investment in precious metals not hedged by forward sales was \$17.1 million and \$6.2 million in 1992 and 1991, respectively.

Summary of Results

(in thousands of US\$ except per share data)

	Six months ended June 30,		Three months ended June 30,	
	1992	1991	1992	1991
Net income	\$ 124,303	\$ 111,071	\$ 63,899	\$ 56,401
Cash dividends declared on common stock	\$ 26,083	\$ 24,168	\$ 13,079	\$ 12,125
Per common share				
Net income:				
Primary	\$ 2.12	\$ 1.96	\$ 1.08	\$.99
Fully diluted	\$ 2.08	\$ 1.95	\$ 1.05	\$.98
Cash dividends declared	\$.50	\$.46	\$.25	\$.23
Average common shares outstanding (in thousands):				
Primary	52,069	51,657	52,118	51,727
Fully diluted	55,876	52,637	55,924	53,680

Republic New York Corporation
Fifth Avenue at 40th Street, New York, New York 10018
Member Federal Reserve System/Member Federal Deposit Insurance Corporation/Member New York Clearing House Association
Banking Locations
New York • Geneva • Tokyo • London • Zurich • Lugano • Luxembourg • Paris • Monte Carlo • Gibraltar
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Republic New York Corporation owns 48.9% of Safra Republic Holdings SA, which is accounted for by the equity method. On a fully consolidated basis, total assets exceed US\$40 billion and total capital, including minority interest and subordinated debt, exceeds US\$4 billion.

SAFRA REPUBLIC HOLDINGS SA LUXEMBOURG

Consolidated Statements of Condition

Consolidated Statements of Condition					
Assets	June 30,		Liabilities and Shareholders' Equity	June 30,	
	1992	1991		1992	1991
(in thousands of US\$ except per share data)					
Cash and due from banks	\$ 62,504	\$ 54,221	Client deposits	\$ 6,151,671	\$ 5,799,851
Interest bearing deposits			Bank deposits	641,010	1,017,618
Precious metals	3,289,263	3,412,267	Total deposits	6,792,681	6,817,469
Investment securities	4,735,159	3,658,442	Short-term borrowings	785,581	561,297
Trading account securities	20,575	3,677	Acceptances outstanding	4,602	82,221
Loans, net of unearned income	1,220,078	1,223,938	Accrued interest payable	96,902	36,956
Allowance for possible loan losses	(41,294)	(12,292)	Other liabilities	62,246	37,432
Loans (net)	1,178,784	1,211,646	Long term debt	997,600	37,432
Customers' liability on acceptances	4,602		Shareholders' Equity		
Premises and equipment	64,382	46,470	(in thousands)		
Accrued interest receivable	89,612	102,074	Common stock, US\$ 5 per value, 200,000,000 shares authorized; 17,831 issued; 17,700 shares outstanding in 1992 and 17,798 in 1991	89,155	89,155
Other assets	101,190	71,291	Surplus	619,624	619,598
Total assets	\$9,547,389	\$8,560,914	Retained earnings	187,848	133,710
			Foreign currency translation	17,730	(15,518)
			Less: 131 shares held in treasury in 1992 and 52 in 1991, at cost	(6,580)	(1,396)
			Total shareholders' equity	1,107,737	1,025,539
			Total liabilities and shareholders' equity	\$9,547,389	\$8,560,914
			Book value per share	\$ 62.26	\$ 57.82

Summary of Results
(in thousands of US\$ except per share data)

	Six months ended June 30,		Three months ended June 30,	
	1992	1991	1992	1991
Net income	\$ 45,575	\$ 40,511	\$ 22,938	\$ 21,006
Net income per common share	\$ 2.57	\$ 2.28	\$ 1.30	\$ 1.18
Average common shares outstanding (in thousands)	17,717	17,799	17,700	17,799

Safra Republic Holdings S.A.
32, Boulevard Royal - 2448 Luxembourg - Tel. 4793 31 310 - Fax 4793 31 226 - Telex 3320 RBNBY LU
Wholly Owned Banking Subsidiaries
Republic National Bank of New York (Suisse) S.A.: Head office in Geneva and branches in Lugano, Zurich and Guernsey
Representative office in Buenos Aires, Argentina
Republic National Bank of New York (France): Head office in Paris and 1 branch in Paris and Monaco
Republic National Bank of New York (Luxembourg) S.A.: Head office in Luxembourg
Republic National Bank of New York (Guernsey) Ltd.: Head office in St. Peter Port, Guernsey
Republic National Bank of New York (Gibraltar) Ltd.: Head office in Gibraltar

Italian bonds rally strongly after rate cut

By Sara Webb in London
and Patrick Harverson
in New York

ITALIAN government bonds rallied strongly in the wake of the Bank of Italy's discount rate cut, continuing Monday's rise in the market.

The announcement on Monday evening of a half point cut in the official discount rate - from 13.75 per cent to 13.25 per cent - took the financial markets by surprise, and when the Italian government bond market opened yesterday, bond prices surged half a point.

The Italian bond futures contract, which closed at 93.59 on Monday, reached a high of 94.85 yesterday before profit-taking wiped out some of the gains. By late afternoon, the futures contract traded at 94.18.

Mr Franco Reviglio, the Italian budget minister, told the Italian radio that further interest rate cuts would be possible in the next few weeks if Italy manages to restore its credibility in international eyes.

The Bank of Italy cut its official discount rate to 13.25 per cent following the agreement at the weekend to abolish inflation-linked wage indexation.

Elsewhere in Europe, many of the bond markets are waiting for today's option poll

in France on the Maastricht Treaty. The most recent poll showed 67 per cent of French voters backing the ratification of the treaty, a result which boosted French government bond prices by up to half a point on Monday. Yesterday, French bonds ended the day slightly lower or little changed.

GOVERNMENT BONDS

with the Maffi futures contract slipping from 105.46 to 105.38 by late afternoon.

UK government bonds fell on the combination of new supply in the sterling bond market, speculation that a big US investor was selling gilts and sterling weakness.

Volume in the Life futures contract was relatively high at 34,000 contracts. The contract fell from 97.11 to 96.28 while in the cash market the 9% per cent gilt due 2002 dropped from 105.4 to 105.30 to yield 8.30 per cent.

GERMAN government bonds ended little changed in dull trading, with many investors waiting on the sidelines for Thursday's Bundesbank Council meeting.

The Life bond futures con-

tract moved in a range of 86.78 to 87.08 and by late afternoon it was trading at 86.96, slightly higher than Monday's close of 86.93.

Dealers reported only faint interest in the German Bunds - post-10-year bond issue yesterday - when DM30m of the 8% per cent bonds were priced at 100.30 to yield 8.2 per cent.

The federal bond consortium met yesterday to negotiate the terms, and dealers expect a further DM20m to be auctioned today. However, traders noted only weak demand from domestic investors for 10-year issues.

US Treasury prices firmed yesterday as investors traded cautiously before today's announcement of the government's quarterly refunding programme and Friday's key jobs data.

In late trading, the benchmark 30-year government bond was up 1/4 at 106.7, yielding 7.422 per cent. The two-year note was up 1/4 at 98.2, to carry a yield of 4.283 per cent.

The market expects the Treasury to unveil a \$36bn refunding package today, probably consisting of \$15bn of three-year notes, \$11bn of 10-year notes and \$10bn of 30-year bonds. With the wait for refunding details and the eager

BENCHMARK GOVERNMENT BONDS

	Coupon	Rate	Price	Change	Yield	Week ago	Month ago
AUSTRALIA	10.000	10/02	111.1548	+0.285	8.35	8.53	8.70
BELGIUM	9.000	06/01	99.5500	+0.100	8.07	8.96	8.81
CANADA	8.500	04/02	107.1300	+0.400	7.56	7.50	7.92
DENMARK	9.000	11/00	97.1500	+0.150	9.50	9.34	8.97
FRANCE	8.500	02/07	96.4870	+0.072	8.45	8.42	8.90
FRANCE OAT	5.000	11/02	96.3100	+0.080	8.08	8.08	8.69
GERMANY	8.000	01/02	99.9550	-	8.15	8.08	7.98
ITALY	12.000	05/02	93.8250	+0.775	13.59	13.89	13.40
JAPAN	No 119	06/09	96.8750	+0.101	5.09	5.03	5.44
JAPAN	No 129	03/00	108.2863	+0.266	4.91	4.90	5.21
NETHERLANDS	8.250	06/02	96.8400	+0.080	8.42	8.38	8.26
SPAIN	11.200	01/02	94.3000	+0.560	12.32	12.27	11.61
UK GILTS	10.000	11/06	101.09	+0.32	8.81	9.37	9.03
UK GILTS	8.750	08/02	102.25	+0.22	8.31	8.10	8.86
UK GILTS	9.000	10/08	99.22	+0.32	8.03	8.91	8.76
US TREASURY	7.500	05/02	106.45	+0.202	6.63	6.69	6.82
US TREASURY	8.000	11/21	106.24	+0.332	7.42	7.55	7.53
ECU (French Govt)	8.500	02/02	93.7200	+0.270	9.51	9.40	8.88

London closing, "denotes New York closing. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

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Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

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Boost to Ecu sector from Bank of England

By Richard Waters

THE BANK of England yesterday gave an important boost to the Ecu securities markets when it announced its intention to build a same-day Ecu clearing and settlement system by next summer.

The development of this key piece of market infrastructure, with the backing of the central bank, was welcomed by market participants yesterday, who said that it would add to London's appeal as a centre for the Ecu financial markets.

The Bank said its new European Settlements Office would be based on an electronic book-entry transfer system, similar to those it already operates for gilts and sterling money market instruments.

The arrangement would help the development of the Ecu markets by strengthening confidence in the clearing and settlement system, encouraging the development of the repo market in Ecu securities.

According to the Bank, banks have already given their commitment in principle to join the European Settlements Office. A number have also agreed to provide custodial services.

Half the Ecu bond market makers yesterday tightened the spreads between their buying and selling prices, repairing some of the damage done to investors' confidence when market makers suspended dealings between each other 12 days ago.

After suspending normal market making for one day, last week at wider spreads to protect themselves in the face of heavy selling of Ecu securities.

Yesterday, spreads for large liquid issues were halved again from 20c to 10c, with quotes being firm for amounts up to £50m. However, the tighter spreads were quoted only by 22 of the 44 Ecu market makers, reinforcing claims by the leading banks that many of their rivals have never been fully committed to the market.

Milan awaits the Mif's debut

ITALY's new government bond futures market will start trading on September 11, the Italian Treasury announced. This will be two months behind schedule, but still ahead of some dealers' worst expectations.

The new market, which will use the existing screen-based "primary dealers" system for cash trading, comes almost exactly a year after dealings in futures on 10-year Buoni del Tesoro Poliennali (BTPs) started at the Maffi in Paris and Life in London. While trading in Paris has virtually evaporated, Italian bond futures have become one of Life's most successful products.

Average trading volumes for Life's BTP futures were running at 26,755 a day last month, while the exchange registered a new turnover record of 67,625 contracts changing hands on June 3.

The arrival of a futures contract in Italy will mirror the competition that emerged when German government bond futures, devised by Life, were introduced in 1989 by Deutsche Terminbörse (DTB) in Frankfurt. Supported by domestic banks, the DTB last month accounted for around one-quarter of total bond futures trading, against three-quarters in London.

Dealers in Milan doubt the new Italian exchange, dubbed the Mif, will quickly win such a big market share. However, the domestic venture could offer Life stiff competition.

Contract specifications on the Mif are very similar to those in London, apart from the contract's nominal value, which is expected to be £250m against £200m in London.

Dealers say the new Italian contract could appeal to a different type of user than that on Life. Although two Italian banks are now members of the London exchange and others trade heavily through brokers, it is expected that the new domestic market will be dominated by financial institutions.

By contrast, international banks and fund managers are likely to keep their focus on London, dealers believe. That applies particularly to the handful of investment banks which have developed sophis-

cated arbitrage techniques between cash and futures markets in different currencies. "With its range of government bond futures, Life offers arbitrage opportunities unavailable on a domestic market featuring just one government's debt," said one trader.

The Italian authorities have pushed hard for the creation of a domestic futures market, one of a string of innovations

Haig Simonian looks at a new market in government bond futures

COMMODITIES AND AGRICULTURE

Amoco signs Romanian oil and gas exploration deal

By Virginia Marsh in Bucharest

AMOCO OF THE US has signed a 25-year oil and gas exploration and production-sharing agreement with Rompetrol, Romania's state oil company, as part of the country's first post-communist exploration deal, the companies announced in Bucharest yesterday.

The agreement gives Amoco Romania Petroleum, a subsidiary of Amoco Production Company, rights to a 750 sq km (290 sq miles) area in the Carpathian Mountains about 60 km (37 miles) north-east of Bucharest, which Amoco won after an international tender in September 1990.

A Canadian Occidental/Rompetrol joint venture, which won two offshore sites in the Black Sea and, Shell, which successfully bid for an area in Transylvania, are due to sign similar contracts within the next 10 days. The western companies are expected to invest about \$30m in the next three years as part of an initial five-year exploration period.

However, Rompetrol said developing the sites in the

SAGA PETROLEUM, Norway's biggest independent oil producer, said yesterday its Snorre oil and gas field had come on stream six weeks earlier than planned and NRK1.5bn (\$1.5bn) below budget at a cost of NRK15.6bn, writes Karen Fosell in Oslo. Recoverable oil reserves are put at 770m barrels. Production will be gradually built up beyond 100,000 barrels a day by the end of the year, by which time production from a seabed installation will have come on stream, allowing production capacity of 150,000 b/d to be reached early next year.

Snorre is providing Saga's first production from a field that it operates. It has been developed with the Norwegian North Sea's first tension leg platform, the biggest of its kind in the world. Oil and gas is processed at the nearby Statfjord field, with oil tanker loaded and gas exported further via the Statpipe line to the European continent.

event of commercial finds could cost more than \$2.4bn. Rompetrol retains the right to acquire up to 20 per cent in any development, with the western companies which have received substantial tax concessions from the Romanian government, free to export their share of production.

Mr David Work, vice-president of Amoco Production, said the agreement was consistent with the company's strategy of investing in areas with known hydrocarbon potential.

The deal, which was held up

for several months until the Romanian parliament passed enabling legislation, is Amoco's first exploration agreement in central Europe.

Existing wells in Romania, historically one of central Europe's major oil-producing areas, were heavily exploited under the Ceausescu regime. However, the dictator's obsession with paying off the national debt kept the Romanian oil industry short of funds for further exploration, contributing to a drop in domestic crude oil production from more than 12m tonnes in 1979 to 6.8m tonnes last year.

UK aluminium can recycling rate increases to 16 per cent

By Kenneth Gooding, Mining Correspondent

ALUMINIUM CAN recycling rates in the UK increased sharply in the first quarter of this year, from 11 per cent to about 16 per cent, according to the Aluminium Can Recycling Association.

The industry expects the pace of improvement to continue because the last of seven regional centres planned for the UK, where scrap merchants and other collectors are able to exchange cans for cash, opened for business this week.

The new infrastructure was needed to feed a £28m dedicated aluminium can recycling facility at Warrington, in the north of England, established last year by Alcan of Canada, the first of its kind in Europe.

In the whole of last year Warrington processed 2,180 tonnes of used cans among other aluminium scrap collected by Alcan.

The dedicated, which started up in October and ultimately will be able to process 50,000 tonnes of used cans, already has handled 2,269 tonnes of recycled cans from the UK in the first half of this year. The rest of its feedstock is

imported, mainly from the US. The UK's seven new regional "aggregation centres" enable merchants to take 250 kg loads of used cans to collection points close by instead of having to deliver to Warrington or to the Swansea collection centre operated by the Aluminium Company of America (Alcoa). Merchants get the same "factory gate" price as paid at the Warrington facility and receive their cash seven to 10 days after delivery.

Alcan suggests this should enable more of the UK's used aluminium cans to be drawn into a "closed loop" system where the special alloy used for can-making is used over and over again for cans instead of being downgraded and used in other products.

The European aluminium industry has set itself a target of recycling 50 per cent of all aluminium cans by the mid-1990s. Alcan says that in those areas of the UK where extra promotional effort has been made — such as Warrington and Swansea — recycling rates have been above 40 per cent.

Last year about 21 per cent of all aluminium cans consumed in Europe were recycled, twice the percentage in 1987. Sweden, which has a

mandatory deposit scheme on cans, had the highest recycling rate, 85 per cent, followed by Iceland, 75 per cent, and Switzerland, 50 per cent.

Remelt plants for used aluminium cans are operated by Granges in Sweden (15,000 tonnes a year), VAW in Germany (20,000 tonnes), Elval in Greece; and Alcan in Italy. Reynolds is bringing a 60,000 tonnes-a-year unit into production at Venafro, Italy, where one of the lines will process cans. Pechiney is investing in two units, at Neuf-Brisach and at Nogueres with an annual capacity of 15,000 tonnes each.

About 32,350 tonnes of aluminium cans were recycled in Europe last year (up from 25,000 tonnes in 1990) and so the capacity is putting plenty of capacity in place for the expected recycling growth.

Efforts to promote that growth and to provide the necessary infrastructure are being co-ordinated by Alcan (Aluminium Can Recycling Europe) formed in 1984 by Alcan, Pechiney of France and VAW of Germany. Alcoa and Reynolds of the US, joined in 1988, as Alusuisse-Lonza, Hydro Aluminium and Elval agreed to provide support in their domestic markets.

NZ fears Chinese wool boost may not last

Prices are holding last season's gains but the outlook is unclear, writes Terry Hall

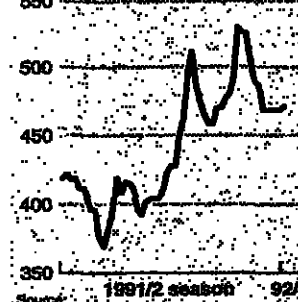
THE NEW Zealand wool season has begun with prices holding on to the gains achieved last season. But the Wool Board warns that the surge in Chinese demand that did much to fuel last season's price recovery may not be maintained this year.

Last season was seen as a turning point. Though farmers' returns were generally lower than in the previous season because of the loss of the minimum price support scheme, the season's average price rose 4 per cent from 422 to 437 NZ cents (\$1.25) a kilogram.

Looking ahead, the board says the demand outlook from developed countries appears positive in the new season, though growth rates will remain low. Allowing for the 10 per cent devaluation of the New Zealand dollar since last December, prices of New Zealand wool have not increased significantly in overseas currency terms, enabling it to maintain its price competitiveness with artificial fibres.

NZ wool price

NZ cents per kilo



high level of purchases last season may not be maintained. "This would particularly affect prices of medium micron wools.

Sales to Russia are likely to depend on the availability of credit, while exports to the Indian subcontinent may also decline as demand for hand-knotted rugs eases in developed countries.

"However, these negative factors are expected to be offset by increased demand from the developed economies as they emerge from recession," the board says.

The season began on a weak note in July because of the suspension of the minimum price scheme in February and worries about high stocks and world recession. Prices deteriorated rapidly, hitting a 45-year low in October of 389 NZ cents a kilogram if prices had stayed at that level wool farming would have become uneconomic.

Australia's struggling wool industry was dealt another blow yesterday when South Australian police said they were investigating allegations of a substitution racket involving wool destined for export, reports Reuters from Sydney.

Police said documents were seized from premises in Port Adelaide on Tuesday but no charges were laid.

The alleged fraud involves the substitution of poorer grades of wool for fine grades stored in a warehouse after sale. Details were not released.

But a senior official of the Australian Wool Corporation said the allegations could not have come at a worse time for the industry, which has been hurt by world recession, fashion changes and weak demand from China and Eastern Europe.

"Anything that has the potential to cause customers of our product to be apprehensive about its use is something which stands to cause us damage," said Mr Peter Wallace, the AWC's general manager of industry services. "Markets are clearly sensitive to information which questions the quality of the product."

facturers needed to buy to keep their mills going at a time when they were keeping their stock positions low because of the recession.

The second peak of the season in April and May coincided with the announcement that the board was negotiating a sale to Russia, formerly one of New Zealand's most important customers. The board says the prospect of the sale and its effect on prices then is an indicator of what will happen when the former Soviet republics eventually return to the market.

The Russian sale, from board stocks, has yet to be finalised. The agreement in principle followed the signing of western loan agreements with Russia and it was expected that the

board would be able to sell 16,000 tonnes of wool, worth NZ\$100m.

The board says the recovery occurred in spite of negative influences. Economic growth rates in western economies remained low, while the Commonwealth of Independent States purchased minimal quantities during the season. However, the New Zealand industry managed to sell a greatly increased volume of wool.

As production fell 3 per cent, the board reduced its stockpile from 72,000 to 53,400 clean tonnes. The provisional figure for wool production last season shows a 3 per cent drop to 221,000 clean tonnes. Total sales at auction dropped 9 per cent while private sales rose 16 per cent, taking their share of the market to 27 per cent.

Sheep numbers fell 5 per cent to 54.3m, the lowest since June 1986. Provisional trade figures show wool exports rose 23 per cent to 250,000 clean tonnes, worth 12 per cent more at NZ\$1.08m. Wool product exports also rose 12 per cent to bring the total to NZ\$1.307m. Wool was New Zealand's third largest export after meat and dairy products. China dominated the market taking 21 per cent of all exports buying 49,000 tonnes, while some of the 10,000 tonnes shipped to Hong Kong also went to China.

Indian sugar mills await further export release

By Kunal Bose in Calcutta

INDIAN SUGAR mills are awaiting cabinet approval for the release of a further 500,000 tonnes of exports during the current year. The proposal by the Indian Sugar Mills Association to export this additional quantity has already been approved by the ministries of commerce and food.

Indian sugar exports so far this year amount to 275,000 tonnes. Last year the country exported 526,000 tonnes.

In a recent submission to the prime minister's office, ISMA said that in view of the bumper production of 13.4m tonnes of sugar during the 1991-92 (October-September) season, compared with 12m tonnes last year, India could easily export up to 1m tonnes, worth about Rs800 (\$140m).

"Even though export is a losing proposition for the industry, we must sell 1m tonnes abroad to manage the surplus," said Mr Om Dhanuka, spokesman for ISMA.

The Indian Sugar & General Industry Exim Corporation, which handles exports for the

industry, has sold to buyers in Sri Lanka, Indonesia, Egypt, Saudi Arabia, Yemen, Kenya, Bulgaria and Russia.

Bumper sugar production for three consecutive years has convinced the federal government that India must remain a regular exporter of the commodity. The long-term export strategy that is being formulated will provide for a minimum export every year, irrespective of the size of sugar production. According to Mr Dhanuka, the government accepts that foreign buyers must see India as a regular source of supply.

The government believes that for the strategy to be effective it will have to provide for the creation of a buffer stock and import of sugar in times of shortage.

According to ISMA, the government should create a buffer stock of 1m tonnes out of more than 4m tonnes of sugar to be carried over into 1992-93. Maintaining the stock would not strain government finances as there is already a levy of Rs9 a quintal (100 kg) on the industry for the purpose.

Jute sales authorised despite short crop

By Kunal Bose

IN SPITE of a big drop in the raw jute crop because of the near absence of pre-monsoon showers, the Indian government is allowing shippers to export up to 150,000 bales (180 kg each) to hard currency areas during the 1992-93 (July-June) season.

According to Mr R.N. De, the jute commissioner, the objective is to make India, which is the second largest exporter of jute goods after Bangladesh, a regular exporter of raw jute.

The government has stipulated that medium and inferior grades must comprise at least 80 per cent of cut jute exports and 75 per cent of uncut exports. This makes exporting a difficult proposition, says Mr R.N. De, spokesman for the shippers. And, foreign buyers do not like the idea of the Jute Corporation of India, a government undertaking, being the sole agency to certify the "quality, condition and weight of export consignments".

The only thing in the ship-

pers favour is that international jute prices are higher than Indian domestic prices.

Last year India could ship only 11,000 the 200,000 bales sanctioned because there was hardly any demand for medium and inferior grades. While last year, the entire quantity was sold to the US and European buyers, Mr De thinks India can find buyers for jute in Pakistan, Indonesia, Thailand and Egypt. An Indian jute team will soon be visiting Pakistan, according to Mr De.

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MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.5 per cent, \$ per lb, in warehouse, 1,730-1,745 (1,715-1,745).

BISMUTH: European free market, 99.99 per cent, \$ per lb, in warehouse, 2,300-2,400 (same).

CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 0.70-0.90 (0.70-0.90).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 20.00-22.00 (20.50-22.50).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 135-150 (140-160).

MOLYBDENUM: European free market, drummed molybdenum oxide, \$ per lb, in warehouse, 2.35-2.40 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.50-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO₃, cif, 53-62 (same).

VANADIUM: European free market, min. 99 per cent, \$ a lb V₂O₅, cif, 2.00-2.15 (same).

URANIUM: Nuxeo exchange value, \$ per lb, U₃O₈, 7.75 (same).

LME WAREHOUSE STOCKS (As at Monday's close)	
Aluminium	1,287.5 to 1,318.250
Copper	2,250 to 2,260
Lead	1,200 to 1,210
Nickel	420 to 430
Zinc	475 to 485
Tin	1,500 to 1,510

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA prices rose on the back of an overnight surge in New York, which also opened steadier than expected yesterday. The market's continued strength was even more remarkable given talk of origin sales — perhaps 25,000 tonnes of Ivorian cocoa and some Ghanaian. On the LME three-month COPPER prices continued to meander around \$2,500 a tonne. A decline of 4,000 tonnes in warehouse stocks to 15-month lows aided sentiment as withdrawals were expected to tail off during the summer. TIN clawed back some lost ground in the afternoon; three-month metal closed above

earlier eight-week lows of \$6,850 a tonne, but prices remained soft, with the market depressed by speculative selling and a lack of consumer purchases. GOLD and PLATINUM showed little movement on the London bullion market as the second day of the strike in South Africa spurred no new buying. Overnight news that Uruguay's Central Bank had sold 50,000 ounces of gold in July for about \$17.5m created no impact although the bank said it was part of a new policy of converting its gold reserves into dollar and mark denominated fixed-term deposits.

Compiled from Reuters

London Markets

SPOT MARKETS	
Cocoa (of per barrel FOB)	+ or -
Dubai	\$17.75-17.85 -0.40
Brant Blend (dubai)	\$19.70-19.80 -0.20
Brant Blend (Sep)	\$19.70-19.80 -0.20
WTI (100 msc)	\$21.25-21.30 -0.50
OIL PRICES	
CRUDE (prompt delivery per tonne CIF)	+ or -
Premium Gasoline	\$22.25-22.35 -0.5
Gas Oil	\$17.75-17.85 -0.5
Heavy Fuel Oil	\$22.25-22.35 -0.5
Naphtha	\$18.50-18.60 -0.5
Petroleum Argus Estimates	
Other	
Gold (per troy oz)	\$352.75 -0.75
Silver (per troy oz)	\$38.00 -0.20
Platinum (per troy oz)	\$375.25 -0.50
Palladium (per troy oz)	\$288.50 -1.75
Copper (US Producer)	116.50 +0.17
Lead (US Producer)	38.00 -0.01
Tin (Kuala Lumpur Market)	18.95 -0.02
Tin (New York)	307.50 -0.50
Zinc (US Producer)	65.00 -0.01
Cash (live weight)	110.15p +1.2p
Sheep (live weight)	75.49p +2.25p
Pigs (live weight)	81.02p -1.42p
London daily sugar (raw)	\$284.00 -0.6
London daily sugar (white)	\$283.50 -0.6
Tate and Lyle export price	\$287.00 +1.0
Barley (English low)	\$118.50
Maize (US No 3 yellow)	\$151.50
Wheat (US Dark Northern)	Unit
Rubber (Sep)	\$0.50p
Rubber (Oct)	\$0.50p
Rubber (Nov)	\$0.50p
Rubber (Dec)	\$0.50p
Rubber (Jan)	\$0.50p
Rubber (Feb)	\$0.50p
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Rubber (Nov)	\$0.50p
Rubber (Dec)	\$0.50p</

LONDON STOCK EXCHANGE

06.35	97.15	106.35	50.53
(6/7)	(2/1)	(6/7/92)	(3/1/75)

[illegible]

STOCKS				
Trading Price	Day's Change	Volume	Dividend Yield	Price Earnings
100 1/2	+1 1/2	1,600	450	44 1/2
119 1/8	+5 1/8	734	830	118
348 1/8	+1 1/8	1,000	118	118 1/2
200 1/2	+1 1/2	1,000	118	118 1/2
300 1/2	+1 1/2	1,000	118	118 1/2
210 1/2	+1 1/2	1,000	118	118 1/2
240 1/2	+1 1/2	1,000	118	118 1/2
270 1/2	+1 1/2	1,000	118	118 1/2
300 1/2	+1 1/2	1,000	118	118 1/2
330 1/2	+1 1/2	1,000	118	118 1/2
360 1/2	+1 1/2	1,000	118	118 1/2
390 1/2	+1 1/2	1,000	118	118 1/2
420 1/2	+1 1/2	1,000	118	118 1/2
450 1/2	+1 1/2	1,000	118	118 1/2
480 1/2	+1 1/2	1,000	118	118 1/2
510 1/2	+1 1/2	1,000	118	118 1/2
540 1/2	+1 1/2	1,000	118	118 1/2
570 1/2	+1 1/2	1,000	118	118 1/2
600 1/2	+1 1/2	1,000	118	118 1/2
630 1/2	+1 1/2	1,000	118	118 1/2
660 1/2	+1 1/2	1,000	118	118 1/2
690 1/2	+1 1/2	1,000	118	118 1/2
720 1/2	+1 1/2	1,000	118	118 1/2
750 1/2	+1 1/2	1,000	118	118 1/2
780 1/2	+1 1/2	1,000	118	118 1/2
810 1/2	+1 1/2	1,000	118	118 1/2
840 1/2	+1 1/2	1,000	118	118 1/2
870 1/2	+1 1/2	1,000	118	118 1/2
900 1/2	+1 1/2	1,000	118	118 1/2
930 1/2	+1 1/2	1,000	118	118 1/2
960 1/2	+1 1/2	1,000	118	118 1/2
990 1/2	+1 1/2	1,000	118	118 1/2
1,020 1/2	+1 1/2	1,000	118	118 1/2
1,050 1/2	+1 1/2	1,000	118	118 1/2
1,080 1/2	+1 1/2	1,000	118	118 1/2
1,110 1/2	+1 1/2	1,000	118	118 1/2
1,140 1/2	+1 1/2	1,000	118	118 1/2
1,170 1/2	+1 1/2	1,000	118	118 1/2
1,200 1/2	+1 1/2	1,000	118	118 1/2
1,230 1/2	+1 1/2	1,000	118	118 1/2
1,260 1/2	+1 1/2	1,000	118	118 1/2
1,290 1/2	+1 1/2	1,000	118	118 1/2
1,320 1/2	+1 1/2	1,000	118	118 1/2
1,350 1/2	+1 1/2	1,000	118	118 1/2
1,380 1/2	+1 1/2	1,000	118	118 1/2
1,410 1/2	+1 1/2	1,000	118	118 1/2
1,440 1/2	+1 1/2	1,000	118	118 1/2
1,470 1/2	+1 1/2	1,000	118	118 1/2
1,500 1/2	+1 1/2	1,000	118	118 1/2
1,530 1/2	+1 1/2	1,000	118	118 1/2
1,560 1/2	+1 1/2	1,000	118	118 1/2
1,590 1/2	+1 1/2	1,000	118	118 1/2
1,620 1/2	+1 1/2	1,000	118	118 1/2
1,650 1/2	+1 1/2	1,000	118	118 1/2
1,680 1/2	+1 1/2	1,000	118	118 1/2
1,710 1/2	+1 1/2	1,000	118	118 1/2
1,740 1/2	+1 1/2	1,000	118	118 1/2
1,770 1/2	+1 1/2	1,000	118	118 1/2
1,800 1/2	+1 1/2	1,000	118	118 1/2
1,830 1/2	+1 1/2	1,000	118	118 1/2
1,860 1/2	+1 1/2	1,000	118	118 1/2
1,890 1/2	+1 1/2	1,000	118	

450	+	United States	498	272	8
451	+	Italy	230	148	8
135	+	United Kingdom	1,000	327	8
136	+	U.S. Newspapers	221	223	3
154	+	Norfolk	4,700	38	4
157	+	Warburg (SO)	2	454	2
189	+	Wellcome	5,800	623	13
190	+	Wells Fargo	1,000	400	4
191	+	Western Union	220	480	2
194	+	Whitbread A	1,700	200	1
195	+	Williams Hedges	1,200	271	7
207	+	Wills Corpn	277	711	1
208	+	Winthrop	467	201	1
210	+	Woolworth	160	121	1
370	+	Yorkshire Elect.	148	328	2
381	+	Turkish Water	264	448	3

premium to cash of about 1¢. Turnover reached 7,834 contracts.

Traded options remained dull with a majority of the day's total volume of 20,415 lots seen in the index options. The FT-SE 100 option traded 9,052 contracts.

INDS - Cont.

Notes	Price	±	92	92	Yield	
			high	low	int.	Nov
(02.3)					(1)	2.5
(67.9)	126 1/4	+ 1/4	127 1/4	122 1/4	2 1/2	4 1/4
(57.9)	181 1/4	+ 1/4	184 1/4	176 1/4	3 3/4	4
(78.2)	145	+ 1/4	148 1/4	143	3 3/4	4

		+or-		1992	Yield	
Notes	Price					Red.
00000	112 1/2	-	115 1/2	105 1/2	8.00	91.1
00009	109 1/2	-	116 1/2	105 1/2	8.01	94.4
	111 1/2	-	113 1/2	102 1/2	10.31	101.9
10	109 1/2	-	114 1/2	104 1/2	10.30	101.9
	111 1/2	-	112 1/2	102 1/2	10.30	101.9
0011	136 1/2	-	141 1/2	130 1/2	10.84	102.2
	138 1/2	-	143 1/2	132 1/2	10.85	102.2
	139 1/2	-	144 1/2	133 1/2	10.85	102.2
	141 1/2	-	146 1/2	135 1/2	10.85	102.2
	143 1/2	-	148 1/2	137 1/2	10.85	102.2
	145 1/2	-	150 1/2	139 1/2	10.85	102.2
	147 1/2	-	152 1/2	141 1/2	10.85	102.2
	149 1/2	-	154 1/2	143 1/2	10.85	102.2
	151 1/2	-	156 1/2	145 1/2	10.85	102.2
	153 1/2	-	158 1/2	147 1/2	10.85	102.2
	155 1/2	-	160 1/2	149 1/2	10.85	102.2
	157 1/2	-	162 1/2	151 1/2	10.85	102.2
	159 1/2	-	164 1/2	153 1/2	10.85	102.2
	161 1/2	-	166 1/2	155 1/2	10.85	102.2
	163 1/2	-	168 1/2	157 1/2	10.85	102.2
	165 1/2	-	170 1/2	159 1/2	10.85	102.2
	167 1/2	-	172 1/2	161 1/2	10.85	102.2
	169 1/2	-	174 1/2	163 1/2	10.85	102.2
	171 1/2	-	176 1/2	165 1/2	10.85	102.2
	173 1/2	-	178 1/2	167 1/2	10.85	102.2
	175 1/2	-	180 1/2	169 1/2	10.85	102.2
	177 1/2	-	182 1/2	171 1/2	10.85	102.2
	179 1/2	-	184 1/2	173 1/2	10.85	102.2
	181 1/2	-	186 1/2	175 1/2	10.85	102.2
	183 1/2	-	188 1/2	177 1/2	10.85	102.2
	185 1/2	-	190 1/2	179 1/2	10.85	102.2
	187 1/2	-	192 1/2	181 1/2	10.85	102.2
	189 1/2	-	194 1/2	183 1/2	10.85	102.2
	191 1/2	-	196 1/2	185 1/2	10.85	102.2
	193 1/2	-	198 1/2	187 1/2	10.85	102.2
	195 1/2	-	200 1/2	189 1/2	10.85	102.2
	197 1/2	-	202 1/2	191 1/2	10.85	102.2
	199 1/2	-	204 1/2	193 1/2	10.85	102.2
	201 1/2	-	206 1/2	195 1/2	10.85	102.2
	203 1/2	-	208 1/2	197 1/2	10.85	102.2
	205 1/2	-	210 1/2	199 1/2	10.85	102.2
	207 1/2	-	212 1/2	201 1/2	10.85	102.2
	209 1/2	-	214 1/2	203 1/2	10.85	102.2
	211 1/2	-	216 1/2	205 1/2	10.85	102.2
	213 1/2	-	218 1/2	207 1/2	10.85	102.2
	215 1/2	-	220 1/2	209 1/2	10.85	102.2
	217 1/2	-	222 1/2	211 1/2	10.85	102.2
	219 1/2	-	224 1/2	213 1/2	10.85	102.2
	221 1/2	-	226 1/2	215 1/2	10.85	102.2
	223 1/2	-	228 1/2	217 1/2	10.85	102.2
	225 1/2	-	230 1/2	219 1/2	10.85	102.2
	227 1/2	-	232 1/2	221 1/2	10.85	102.2
	229 1/2	-	234 1/2	223 1/2	10.85	102.2
	231 1/2	-	236 1/2	225 1/2	10.85	102.2
	233 1/2	-	238 1/2	227 1/2	10.85	102.2
	235 1/2	-	240 1/2	229 1/2	10.85	102.2

007.	118	+½	111 ½	103 ½	10.45	10.2
	80	+¼	81	55	5.80	5.7
0021	110	-¼	111 ½	103 ½	-	5.5
	107 ½	-½	110 ½	103 ½	-	5.2
000.	123 ½	-	128	121 ½	13.35	12.9

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Age Group	Percentage of Respondents
18-29	65
30-49	75
50-69	85
70+	90

FINANCIAL TIMES WEDNESDAY AUGUST 5 1992

INVESTMENT TRUSTS - CONT.				
		+ or -	1992	
	Volume	Price	High	Low

هكذا من الأسماء

INVESTMENT TRUSTS - Cont.

Company	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603
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● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 926-2128.

	1951 Change	1952 Price	1953 Price	Offer - or Price -	or Yield Gr%
Brown Shipley & Co Ltd—Contd.					
Net Income	6 71.83	71.83	76.50	+0.26	6.31
Intl Growth &	6 23.52	23.52	25.05	+0.14	6.31
Stockholders Income	6 52.53	52.52	57.75	+0.69	5.83

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling dips on new rate fears

STERLING lost ground against the D-Mark on the foreign exchanges yesterday as dealers grew more nervous that the Bundesbank will raise rates at its council meeting tomorrow, writes *James Blitz*.

There are plenty of reasons to believe that the Bundesbank will not raise the Lombard rate tomorrow. Germany's central bank needs more time to gauge the effects of the recent discount rate rise on money supply before making a decision to tighten further. Moreover, the Bundesbank would probably want to wait until France votes in its referendum on the Maastricht treaty on September 20, for fear of exacerbating the "No" vote there.

However, one London dealer said the market engaged in short-covering of D-Mark positions yesterday "just in case". Another factor undermining the markets is today's *Paris Match* poll on how the French will vote in their referendum. One London trader talked of fears

that the poll, due out at 1400 GMT today, will be close, or even show the "No" voters in the lead.

The pound may also have been weakened by increasing calls from British political and business figures for emergency action to stimulate the housing market. The growing argument for a temporary cut in VAT to try and boost the economy has unnerved some traders, who fear this will lead to a worsening of the trade balance. They believe that consumers will purchase more goods from abroad at reduced VAT rates rather than British ones.

Sterling, therefore, declined to DM2.8350 from a previous close of DM2.8400. In late New York trading it was down further to DM2.8355.

The Italian lira came under renewed pressure from fears over European union. Compounding this was the Bank of Italy's decision to cut 1/2 percentage point off its discount rate on Monday night, bringing

the cost of one-month lira cash down by 1 1/2 percentage points to 13 1/2 per cent.

However, the Italian central bank doubtless calculated that the market feels well disposed towards Mr. Giuliano's Amato's government after the ratification of his plans to reduce the budget deficit. The lira closed at DM1.4750, trading within a tight range between DM1.4730 and DM1.4769. The currency drifted lower after the US index of leading indicators, the government's chief economic forecasting gauge, weakened in June for the first time in six months. It fell 0.2 per cent, in line with economists' forecasts.

The US currency finished against the D-Mark in London at DM1.4750, down slightly from a previous close of DM1.4769. In New York the dollar showed some improvement to DM1.4772.

FINANCIAL FUTURES AND OPTIONS

LFFE LONG TERM FUTURES OPTIONS			
Series	Call	Put	Settlement
10yr	100.00	100.00	100.00
20yr	100.00	100.00	100.00
30yr	100.00	100.00	100.00
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LFFE SHORT TERM FUTURES OPTIONS			
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LFFE SHORT TERM FUTURES OPTIONS			
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4:00 pm prices August 4

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AMEX COMPOSITE PRICES

4:00 pm prices August 4

Stk.	Div.	Yr.	100%	High	Low	Close	Chng.	Stock	Div.	Yr.	100%	High	Low	Close	Chng.	Stock	Div.	Yr.	100%	High	Low	Close	Chng.	
Acq	0	5	6%	6%	6%	6%		Carlisle Corp	0.21	14	11%	11%	12%		Pierini	0.80	25	38	12%	12	12	12		
Cap	0.14	14	867	16%	18%	19%	+	Cominco	0.44	55	20	10%	10%	10%	+	Phil Int	0.18	14	15	16%	16%	16%	+	
Inc	2	7	1%	1%	1%	1%	+	Compuser	8	12	14	1%	1%	1%	+	Phl Ltd	0.27	17	380	40%	42	42	+	
Int	0.57	17	2%	2%	2%	2%	+	Consolidated	30	100	4%	4%	4%	+	Phl Ltd	1.00	15	15	15%	15%	15%	+		
Int	0.57	17	2%	2%	2%	2%	+	Dowell & Co	1.38	19	23%	23%	23%	23%	+	Phl Ltd	0.12	23	37	10%	10%	10%	+	
Int	0.57	17	2%	2%	2%	2%	+	Dowell & Co	0.40	14	8	17%	17%	17%	17%	+	Phl Ltd	0.08	14	37	10	10	10	+
Int	0.57	17	2%	2%	2%	2%	+	Dowell & Co	0.40	14	8	17%	17%	17%	17%	+	Phl Ltd	0.08	14	37	10	10	10	+
Int	0.57	17	2%	2%	2%	2%	+	Dowell & Co	0.40	14	8	17%	17%	17%	17%	+	Phl Ltd	0.08	14	37	10	10	10	+
Int	0.57	17	2%	2%	2%	2%	+	Dowell & Co	0.40	14	8	17%	17%	17%	17%	+	Phl Ltd	0.08	14	37	10	10	10	+
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

AMERICA

US equities retreat on sporadic profit-taking

Wall Street

US STOCK markets snapped a five-day winning streak yesterday as prices tended to ease amid occasional profit-taking, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was down 11.08, at 3,384.32. The more broadly based Standard & Poor's 500 lost only 0.82 at 424.47, while the Nasdaq composite shed 1.04 to 581.32. Turnover on the New York SE was again light, at 167m shares.

After five days in which the Dow, alternating between steep advances and modest gains, added more than 110 points, yesterday's mild correction was not totally unexpected. In the absence of important economic news (the day's only data, a 0.2 per cent decline in July leading economic indicators, was in line with expectations), and with no lead from the bond market, share prices turned softer on a lack of buying and sporadic profit-taking.

Trading was also subdued by a reluctance among investors to take large positions ahead of Friday's key employment report for July, which should give the latest reading on the conditions in the job market and which might, if sufficiently weak, produce another easing

of monetary policy by the Federal Reserve. Analysts are expecting the job figures to show a 110,000 rise in non-farm payrolls and a slight decline in national unemployment to 7.7 per cent.

Monsanto was the feature of the day, jumping 3% to \$56 1/4 in turnover of 1.4m shares after it announced the sale of its Fisher Control International unit to electronic products group Emerson Electric in a deal valued at \$1.375bn. After the announcement, broking house Kidder Peabody immediately upgraded it rating on Monsanto from "hold" to "buy". The news of the deal left Emerson 3 1/2% lower at \$50. Harris Corp rose 3 1/2% to \$31 1/4 after reporting fiscal fourth-quarter net income from continuing operations of 87 cents a share, up from the 69 cents earned at the same stage a year ago. Thiokol was also boosted by higher quarterly earnings, putting on 3% to \$15 1/4.

Going the other way on quarterly figures was Houston Industries, down 8% at \$46 1/4 on news of the 60 cents a share earned during the April-June period, down slightly from a year earlier.

Bethlehem Steel was one of the most active stocks, dipping 5% to \$13 1/4 in turnover of 1.8m shares after the steel group's

12m-share stock offering began trading yesterday.

On the Nasdaq market, Heart Technology fell 3 1/4% to \$12 1/4 after the company recorded a second quarter loss of 34 cents a share, compared with a 6 cents a share shortfall a year ago. Scios receded 3% to \$10 after analysts warned that drug group Pfizer may not pursue its collaboration with Scios on a diabetes drug after the end of the year.

Canada

TORONTO share prices spent a quiet session in negative territory, closing with a solid decline.

The TSE 300 index retreated 17.4 to 3,426.0 and losing index gains by 292 to 311 after volume of 18.5m shares. The market was closed on Monday for a holiday.

The gold shares group posted the day's largest fall, losing 2.36 per cent. The New York gold price, although slightly higher yesterday, fell nearly US\$5 an ounce on Monday.

Canadian Pacific reported lower second quarter earnings, and a six-month loss compared to year-earlier net income. The stock gained 3% to C\$17 1/4. Canfor, up 3% at C\$28, announced a significant reduction in its second quarter and six-month losses.

Spanish building stocks feel the pinch

Government efforts to rein in spending are bad news for the sector, says Peter Bruce

Between 1987 and 1990, shares in Spain's big construction companies were probably the best measure of the country's unprecedented economic boom. They are now a chillingly accurate barometer of the economy's rapid decline.

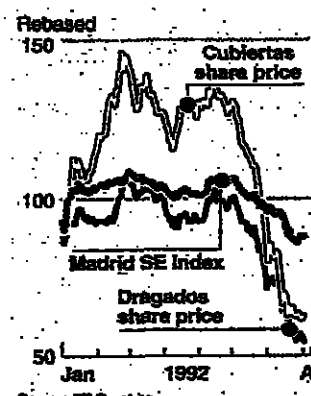
Since the beginning of the year, shares in most of Spain's 'Big Seven' quoted contractors - Dragados, FCC, Cubiertas, Huarte, Ocasia, Agroman and Lain - have fallen more than 50 per cent as it becomes clear that annual Spanish growth rates of 5 per cent or more are a thing of the past. Gross domestic product will, if the government is lucky, grow at 2 per cent this year and 1.5 per cent in 1993.

In a relatively poor country, Spain's economic malaise is almost by definition, the building of a road, a factory or an office block. For the most part, the state has been the biggest builder during the past six years, and it has also ensured that Spanish contractors have the lion's share of the work. As the government puts the

brakes on new public projects, the danger of depending on the same institution for both business and protection has become manifest.

In an effort to control public spending, the government has been forced to announce tax increases and budget cuts for this year to save about \$3.2bn. Interest rates have been raised and next year's budget, due to be presented in the autumn, will allow spending growth of around 6 per cent, the lowest in nearly 10 years. Most of that growth will probably be concentrated on social services, not infrastructure.

Spanish equity analysts desperately hope that a "yes" vote in the French referendum on Maastricht will restore some confidence in their market. But the current Spanish malaise means that the power of French voters to influence, in spite of determined declarations by the government to rein in public spending in order to converge the Spanish economy with the rest of the European Community, it has also been determined in the past but has failed to do so.



Released 150
Cubiertas share price
Madrid SE Index
Dragados share price
Source: FT Graphix

government and this would make it even more difficult to control regional spending.

This is bad news for the construction sector. The government is already delaying payments for completed work, and by the end of June it owed contractors about \$8bn. Dozens of sub-contractors have been put out of business and share prices in cement companies have fallen sharply.

Fortunately for the construction companies, 1991 was a fat year as the country rushed to complete building for the Seville Expo and the Barcelona Olympics.

Investment in public works, however, is down almost 50 per cent so far this year and the private housing market has come to a virtual standstill. 1992 started out appearing to be a temporary setback for construction companies but it now looks like the beginning of a long haul.

Mr Paul Farrow, an analyst at brokers FG in Madrid, says: "The economy could go through two to three years of low growth, and for the contractors, size will be a deter-

mining factor. The big ones are better placed to ride out the problems."

Although FG is forecasting no change in dividend policy from the big quoted Spanish contractors - except, perhaps, at Agroman, which has borrowed heavily - it is predicting a decline of around 9 per cent in net profits and a 10 per cent fall in cash flow, for the sector this year.

It is hard not to sympathise with Spanish brokers, who have been declaring through much of this year that the end of the market's slide has arrived. In May, with the Madrid general index at around 270, a bottoming out was confidently announced. By this week, though, the index was nodding along at 216 with still no end to its fall in sight.

Foreigners have deserted Spanish equities in droves, and attractive valuations are not enough to lure them back. While the government struggles to get its spending under control what matters most is whether investors believe it can be done.

EUROPE

Cut in Italian discount rate lifts continent

AN unexpected cut in the Italian discount rate late on Monday lifted bourses yesterday but volume was generally low, writes Our Markets Staff.

FRANKFURT took heart from better-than-expected half-year results from Dresdner Bank and turned broadly positive. Although Italy's discount rate cut encouraged some buying, the market remained nervous ahead of tomorrow's Bundesbank council meeting.

The FAZ index was up 5.77 at 637.61 at midsession while the DAX index advanced 18.8 to 1,611.51, having seen an intraday high of 1,617. Turnover rose to DM4.1bn from DM3.8bn. The 15 per cent rise in Dresdner's first-half earnings provided an early fillip to the market and lifted other bank stocks. Its shares closed up DM7 at DM33 while Commerzbank improved DM4.20 to DM23.90 and Deutsche Bank, which reports its figures today, advanced DM4.90 to DM630.

Forecasts of higher full-year earnings helped Schering gain ground although it came off its intraday high of DM724 to close up DM1 at DM713. Other chemicals groups were firmer. BASF up DM3.50 at DM235.50 and Bayer up DM2 at DM267.80.

MILAN rallied for the second consecutive day following the halfpoint cut in the discount rate late on Monday. But traders said most of the activity was professional short-covering with little institutional demand. The Comit index rose 7.71 or 1.9 per cent to 424.35 in turnover estimated at more than Monday's 1.684bn.

The session was again hampered by technical problems in the screen trading system and the 35 shares listed on the telematic had to be traded on the floor by open outcry.

Banks were boosted by the

FT-SE Eurotrack 100 - Aug 4

Hourly changes		1 pm		2 pm		3 pm		close	
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close	10.30am	11 am
1080.15	1080.33	1079.06	1077.54	1076.16	1075.70	1076.65	1076.44	1080.15	1080.33
Day's High		Day's Low		Jul 31		Jul 30		Jul 29	
Aug 3	1069.17	1067.77	1068.92	1067.69	1068.92	1067.69	1068.92	1069.17	1067.77

Base value 1000 (2010/200)

lower interest rates, with San Paolo rising L50 to L10,450 and Mediobanca gaining L365 to L12,850.

PARIS came off the day's highs as the CAC-40 index closed just 3.19 higher at 1,787.63, down from 1,802.63, in low turnover of FF1.2bn. Peugeot dropped FF8 to FF977 on news that its new car sales fell 8.7 per cent in July from the same period in 1991.

Euro Disney rebounded FF2.95 or 3.5 per cent to

FF86.75 but some analysts feared that it would be difficult for the stock to recover further because of the adverse sentiment towards it.

Another gainer was Synthelabo, the pharmaceuticals company, which rose FF28 or 3.5 per cent to FF1,035 following news of a sales increase of 9.7 per cent to FF3.17bn in the first half.

ZURICH was stronger with the SMI index up 10.5 at 1,805.4. Banks and insurers remained positive with Union Bank bear-

ers adding SF4 to SF705 while Zurich Insurance bearers gained SF15 to SF1,945.

Lindt & Spruengli, the chocolate manufacturer, came under pressure after Mr Rudolph Spruengli, the company chairman, announced that he had secretly married a woman who is connected to a US religious sect. Its bearers tumbled SF1,075 or 8.9 per cent to SF1,000.

AMSTERDAM was satisfied with the 11 per cent rise in Akzo's first-half results. The CBS Tendency index rose 0.8 to 117.4.

Akzo also forecast improved full-year earnings and its shares gained FL3.40 to FL149.90. Fellow chemical group DSM put on 10 cents to FL103.20.

A number of "hold" recommendations have recently been issued on DSM in spite of its

pleasing half-year figures released last week as many analysts believe that Akzo is better placed to benefit from an upturn in the global economy.

Philips put on 40 cents to FL24.90 ahead of tomorrow's results while Elsevier lost FL2 to FL106.20.

BRUSSELS eased with the Bel-20 index down 1.5 to 1,136.28. Petrofina recovered BF25 to BF1,975 with 20,780 shares traded. Solvay was BF75 stronger at BF13,550 while Electrabel put on BF30 to BF4,555.

VIENNA rebounded but trading was light as the 18-share ATX index climbed 3.69 to 70.6.

STOCKHOLM advanced in thin trading as the Affarsvarden General Index rose 4.9 864.3 in turnover of SKr274m after SKr182m.

ASIA PACIFIC

Nikkei closes easier after another lethargic session

Tokyo

THE Nikkei average closed marginally lower after another slow session, as continuing lethargy weighed on investor sentiment, writes Emilio Terazono in Tokyo.

The 225-issue average lost 18.86 to 15,692.59. The index fell to the day's low of 15,600.76 in the morning on selling by dealers, but gradually improved on index-linked buying to reach 15,957.45 in the afternoon. Late afternoon profit-taking then depressed share prices and pushed the Nikkei back into negative territory.

Volume totalled a thin 150m shares, but exceeded Monday's 121m, a 10-year low. Declines led rises by 689 to 254, with 140 issues unchanged. The Topix index of all first section stocks shed 7.27 to 1,200.17, but in London the ISE/Nikkei 50 index put on 4.19 to 862.38.

Traders are becoming concerned that new public offerings will inflict further damage on an already sliding market. Initial public offerings resumed in May after a six-month suspension. Yamazaki Construction, which made its debut on the over-the-counter market this week, has been trading at 10 per cent below its initial offering price.

In spite of the market weakness, some 200 companies have completed listing preparations and are waiting for final approval. The Transport Ministry has also indicated its determination to float shares in JR East, a part of the former state-run Japan National Railways, by the end of this fiscal year.

Mr Keiwa Okuda, transport minister, said yesterday that JR East will file an application for listing with the Tokyo

Stock Exchange at the end of this month. The Transport Ministry will negotiate with the Finance Ministry for a listing by early October.

Dealers continued to take profits on speculative theme stocks. Meiji Milk Products, the day's most active issue, fell Y31 to Y804 and Okamoto Industries lost Y25 to Y995.

Nippon Housing Loan, which is facing large problem loans, slipped Y10 to Y157. Reports of the company's involvement in stock price manipulation, and alleged tax evasion discouraged investors.

High-technology issues rose on buying by dealers. NEC moved ahead Y15 to Y765 and Hitachi Y10 to Y730.

Bank shares lost ground. Industrial Bank of Japan weakened Y40 to Y1,710 and Dai-ichi Kangyo Bank Y20 to Y1,260.

In Osaka, the OSE average dipped 92.97 to 17,533.89 in volume of 6.8m shares. Small-lot selling by dealers depressed Ono Pharmaceutical, which receded Y150 to Y5,450, and Omron, down Y80 to Y1,070.

Roundup

PACIFIC Basin markets concentrated on local issues yesterday.

HONG KONG retreated on rumours of a rights issue by Hutchison Whampoa and a covered warrant issue by HSBC Holdings. The Hang Seng index relinquished 50.95 to 5,659.78 in turnover of HK\$2.05bn.

HSBC declined HK\$1 to HK\$63 and Hutchison Whampoa surrendered 50 cents to HK\$15.50.

SINGAPORE improved as investors sought blue chip stocks. The Straits Times Industrial index gained 10.77 to

1,455.75 and rises outpaced falls by 113 to 85. SIA foreign shares advanced 30 cents to S\$17.40.

SEOUL fell on unsubstantiated rumours that Mr Kim Woo-choong, chairman of Daewoo Group, was planning to set up his own political party. The index closed 7.15 off at 501.48 in Won127.7bn turnover.

TAIWAN advanced in thin trading. The weighted index gained 16.1 to 4,098.18 in turnover of T\$16.5bn. Plastics and electronics led the gains, with Acer rising 20 cents to T\$19.

MANILA rose on bargain hunting. The weighted index put on 12.16 to 1,491.98 in turnover of 106m pesos.

KUALA LUMPUR's composite index edged up 0.72 to 602.11, but declines led rises by 137 to 97. Telekom Malaysia firmed 10 cents to M\$14.

AUSTRALIA lost ground in dull trading. The All Ordinaries index shed 4.8 to 1,612.5. News that Woolworths was to be floated by its parent, Adsteam, later this year helped other retailers move ahead.

Adsteam gained 3 cents to 23 cents, while David Jones rose 8 cents to 37 cents.

NEW ZEALAND saw a strong rally in the second-line issues. The NZSE-40 index appreciated 6.15 to 1,561.33 in turnover of NZ\$21.92m.

BANGKOK lost early gains in the afternoon session, leaving the SET index a net 2.74 down at 754.48. Turnover came to B\$9.14bn. Declines outscored advances by 130 to 96.

There was active trading in finance and property shares, with Bangkok Land down B\$4 to B\$138.

BOMBAY drifted lower in thin trading as heavy rain kept traders away. The BSE index finished 36.16, or 1.3 per cent, off at 2,686.49.

SOUTH AFRICA

JOHANNESBURG came off early lows on bargain-hunting. The industrial index closed 1 lower at 4,214, while the overall index was 14 weaker at 3,394. The gold index lost 13 to 1,028. De Beers ended 75 cents easier at R77.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

TUESDAY AUGUST 4 1992										MONDAY AUGUST 3 1992										DOLLAR INDEX		
Figures in parentheses show number of times of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% Chg on Day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	% Chg on Day	Gross Div. Yield	1992 High	1992 Low	Year ago (approx)				
Australia (69)	141.26	-0.7	106.96	113.82	108.33	126.72	-0.3	4.31	142.20	109.58	114.38	109.12	127.12	153.68	140.94	149.90	149.90	149.90				
Austria (19)	153.28	+0.4	118.23	123.29	117.54	117.74	+0.2	2.48	152.91	117.60	122.76	117.11	117.62	166.70	150.55	176.83	150.55	176.83				
Belgium (42)	147.63	+0.5	113.88	118.74	113.21	110.50	+0.2	5.57	148.91	113.20	113.20	112.73	110.50	152.27	135.87	132.40	135.87	132.40				
Canada (114)	127.73	-0.7	98.53	102.73	97.84	109.89	-0.6	3.18	128.59	98.36	101.92	98.66	110.24	142.12	124.32	130.05	124.32	130.05				
Denmark (36)	236.44	-0.3	182.39	190.19	181.32	182.50	-0.5	1.92	237.21	182.79	190.81	182.03	183.41	273.94	228.81	260.38	228.81	260.38				
Finland (18)	72.50	+1.8	58.93	58.32	58.60	81.61	+1.5	2.29	71.36	58.48	57.76	58.07	80.87	89.90	99.74	101.24	89.90	99.74				
France (104)	168.19	+0.2	122.79	128.04	122.08	124.41	+0.1	3.62	168.90	123.37	127.73	121.85	124.24	158.75	148.09	151.82	148.09	151.82				
Germany (64)	119.97	+1.0	92.54	95.51	92.00	92.00	+1.0	4.48	118.76	91.31	95.54	91.13	91.13	129.89	114.87	108.47	108.47	108.47				
Hong Kong (54)	243.99	-0.8	188.21	196.25	187.11	242.17	-0.8	3.38	245.30	189.48	197.79	188.70	244.07	259.55	176.36	167.59	167.59	167.59				
Ireland (16)	150.09	+0.4	122.71	127.96	121.99	124.05	+0.2	4.25	150.48	122.06	127.41	121.55	123.86	163.71	151.78	156.15	151.78	156.15				
Italy (76)	67.07	+2.3	51.73	53.94	51.43	55.94	+2.2	3.12	67.33	50.53	52.76	50.32	54.61	70.86	61.71	61.71	61.71	61.71				
Japan (22)	127.57	-0.3	71.93	71.93	71.93	71.93	-0.3	3.90	128.09	71.93	71.93	71.93	71.93	128.09	114.87	108.47	108.47	108.47				
Malaysia (62)	239.34	-0.3	187.74	195.76	186.63	234.47	-0.3	2.68	242.58	186.91	195.10	195.10	195.10	233.89	209.49	210.41	210.41	210.41				
Mexico (18)	143.38	+0.6	107.841	112.245	107.409	147.419	+0.6	1.26	143.24	108.131	112.672	107.612	107.612	147.723	128.977	130.343	128.977	130.343				
Netherlands (22)	166.48	+0.4	126.11	131.50	125.37	124.09	+0.3	3.33	167.17	125.43	130.93	124.51	123.73	167.29	147.88	147.88	147.88	147.88				
New Zealand (14)	145.50	+0.8	103.16	105.21	105.21	105.21	+0.8	5.02	146.02	103.16	105.21	105.21	105.21	146.02	118.16	118.16	118.16	118.16				
Norway (28)	168.08	-1.2	126.11	133.59	127.36	130.80	-1.3	1.93	168.12	129.55	133.93	129.51	132.92	192.95	161.26	203.32	161.26	203.32				
Singapore (38)	209.21	+0.1	168.38	168.28	168.04	155.27	+0.8	2.13	207.58	169.96	167.97	169.99	154.06	226.93	192.76	195.85	192.76	195.85				
South Africa (61)	203.77	+1.1	181.76	185.51	157.79	170.85	+0.6	2.98	203.45	156.77	163.64	156.77	171.86	233.60	194.69	247.01	194.69	247.01				
Spain (10)	141.50	-0.8	103.16	113.62	108.51	100.71	-0.5	5.83	140.45	103.16	107.07	100.71	100.71	141.50	118.16	118.16	118.16	118.16				
Sweden (30)	190.77	+0.9	147.36	154.46	146.30	130.08	+0.8	2.72	189.04	145.97	153.96	145.97	150.14	210.88	173.99	194.00	173.99	194.00				
Switzerland (62)	111.95	+0.3	86.16	91.56	86.98	91.62	+0.4	2.34	111.66	86.44	89.62	85.71	92.17	110.76	85.09	90.00	85.09	90.00				
United Kingdom (228)	183.49	-0.6	141.54	147.58	140.76	141.84	-0.5	5.26	184.65	142.29	148.51	141.68	142.29	200.07	165.85	175.28	165.85	175.28				
USA (522)	172.86	-0.1	133.34	139.05	132.66	147.86	-0.1	2.90	173.10	133.39	139.24	132.84	147.30	173.10	160.92	158.28	160.92	158.28				
Australia (790)	148.63	+0.1	114.65	119.58	113.98	114.76	+0.1	4.20	148.44	114.38	119.40	113.91	114.82	156.88	139.31	136.98	139.31	136.98				
Noradic (103)	176.80	+0.3	136.81	141.41	134.82	132.87	+0.2	2.38	175.71	135.01	140.43	134.43	132.72	186.52	168.29	168.29	168.29	168.29				
Pacific Basin (717)	116.77	+0.2	92.36	96.38	91.84	96.38	+0.2	2.86	120.02	92.42	96.38	92.09	95.53	144.21	113.80	136.92	113.80	136.92				
North America (1907)	119.77	-0.2	92.36	96.38	91.84	96.38	-0.2	2.86	120.02	92.42	96.38	92.09	95.53	144.21	113.80	136.92	113.80	136.92				
Europe (536)	170.03	-0.2	131.16	136.73	130.41	163.55	-0.2	2.91	170.31	131.24	137.01	131.02	168.82	174.51	156.76	156.76	156.76	156.76				
Europe Ex. UK (562)	127.40	+0.7	98.27	102.49	97.72	99.26	+0.6	3.43	126.93	97.50	101.80	97.12	98.87	132.98	121.81	121.81	121.81	121.81				
Pacific Ex. Japan (344)	187.21	-0.4	138.98	134.92	138.24	147.43	-0.3	3.59	187.93	139.40	137.10	138.89	148.69	175.31	148.00	148.00	148.00	148.00				
World Ex. USA (1709)	133.76	+0.2	103.18	107.60	102.59	118.65	+0.1	2.57	133.91	103.19	107.72	102.77	118.72	150.08	127.21	140.00	127.21	140.00				
World Ex. UK (1954)	133.76	-0.2	103.18	107.60	102.59	118.65	-0.2	2.87	137.91	106.27	110.94	105.94	120.42	153.05	127.04	142.52	127.04	142.52				
World Ex. So. Af. (2161)	137.65	-0.1	126.61	131.00	124.69	148.95	-0.1	3.39	162.93	125.55	131.07	125.05	147.08	185.40	153.20	151.21	153.20	151.21				
World Ex. Japan (2229)	182.84	-0.1	126.61	131.00	124.69	148.95	-0.1	3.39	162.93	125.55	131.07	125.05	147.08	185.40	153.20	151.21	153.20	151.21				
The World Index (1744)	138.06	-0.2	108.49	111.05	105.68	120.67	-0.2	2.87	138.30	106.57	111.25	106.13	120.90	153.70	130.66	143.21	130.66	143.21				